



May 8, 2019

## Summary of Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name: JCU CORPORATION

Listing: Tokyo Stock Exchange, First Section

Stock code: 4975

URL: <https://www.jcu-i.com/>

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Scheduled date of Annual General Meeting of Shareholders: June 26, 2019

Scheduled date of filing of Annual Securities Report: June 27, 2019

Scheduled date of payment of dividend: June 10, 2019

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 8, 2019 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, 2019 (April 1, 2018 – March 31, 2019)

#### (1) Consolidated results of operations

(Percentages 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                             | %    |
| FY3/19 | 24,866      | 7.6  | 7,072            | 1.8  | 7,192           | 3.2  | 4,963                                   | 1.2  |
| FY3/18 | 23,120      | 11.4 | 6,948            | 26.3 | 6,972           | 26.7 | 4,906                                   | 18.9 |

Note: Comprehensive income (million yen) FY3/19: 3,786 (down 31.1%) FY3/18: 5,496 (up 40.1%)

|        | Net income per share | Diluted net income per share | Return on equity | Ordinary profit on total assets | Operating profit to sales |
|--------|----------------------|------------------------------|------------------|---------------------------------|---------------------------|
|        | Yen                  | Yen                          | %                | %                               | %                         |
| FY3/19 | 178.55               | -                            | 20.9             | 22.3                            | 28.4                      |
| FY3/18 | 176.31               | -                            | 23.7             | 23.9                            | 30.1                      |

Reference: Equity in earnings of affiliates (million yen) FY3/19: (11) FY3/18: (14)

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 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, 2019 | 32,174       | 24,483      | 76.1         | 895.98               |
| As of Mar. 31, 2018 | 32,230       | 22,996      | 71.1         | 823.71               |

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 24,470 As of Mar. 31, 2018: 22,925

Note: The Company conducted a 2-for-1 common stock split on April 1, 2018. Net assets per share have been calculated as if this stock split 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                                |
| FY3/19 | 5,030                                | (2,538)                              | (2,379)                              | 11,867                                     |
| FY3/18 | 5,255                                | (1,061)                              | (870)                                | 12,234                                     |

## 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     | %                                    | %                                 |
| FY3/18             | -                   | 35.00  | -      | 50.00    | 85.00 | 1,182           | 24.1                                 | 5.7                               |
| FY3/19             | -                   | 22.50  | -      | 22.50    | 45.00 | 1,240           | 25.2                                 | 5.2                               |
| FY3/20 (forecasts) | -                   | 23.50  | -      | 23.50    | 47.00 |                 | 25.4                                 |                                   |

Notes: 1. Breakdown of year-end FY3/18 dividend: 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, 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, 2020 (April 1, 2019 – March 31, 2020)

(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 | 11,400      | (12.8) | 3,000            | (12.5) | 3,100           | (11.3) | 2,150                                   | (16.0) | 79.47                |
| Full year  | 25,000      | 0.5    | 7,200            | 1.8    | 7,300           | 1.5    | 5,000                                   | 0.7    | 184.99               |

**\* Notes**

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

Newly added: 1 (Sorapuchi Farm Corporation)

Excluded: 1 (Ginza Suzurando Cosmetics Co., Ltd.)

(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, 2019: 27,842,470 shares As of Mar. 31, 2018: 27,831,914 shares

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

As of Mar. 31, 2019: 530,653 shares As of Mar. 31, 2018: - shares

3) Average number of shares outstanding during the period

FY3/19: 27,800,089 shares FY3/18: 27,826,718 shares

Note: The Company conducted a 2-for-1 common stock split on April 1, 2018. Number of outstanding shares (common stock) has been calculated as if this stock split 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, 2019 (April 1, 2018 – March 31, 2019)**

(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 | %      |
| FY3/19 | 13,776      | (1.8) | 1,939            | (29.7) | 4,543           | (25.6) | 2,927       | (42.7) |
| FY3/18 | 14,029      | 3.8   | 2,757            | 15.6   | 6,111           | 43.0   | 5,112       | 42.3   |

|        | Net income per share | Diluted net income per share |
|--------|----------------------|------------------------------|
|        | Yen                  | Yen                          |
| FY3/19 | 105.30               | -                            |
| FY3/18 | 183.74               | -                            |

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 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, 2019 | 24,846       | 19,174      | 77.2         | 702.06               |
| As of Mar. 31, 2018 | 25,329       | 18,751      | 74.0         | 673.76               |

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 19,174 As of Mar. 31, 2018: 18,751

Note: The Company conducted a 2-for-1 common stock split on 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.

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.*

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## 1. Overview of Results of Operations

### (1) Results of Operations

In the fiscal year ended March 31, 2019 (hereafter, “the fiscal year under review”), the JCU Group achieved net sales of 24,866 million yen (up 7.6% year over year) thanks to continued strong sales of plating machines on top of continued solid sales of chemicals in overseas markets. As a result, operating profit, ordinary profit, and profit attributable to owners of parent amounted to 7,072 million yen (up 1.8%), 7,192 million yen (up 3.2%), and 4,963 million yen (up 1.2%), respectively.

The results of segment operations were as follows.

As the Company revised its reportable segment structure in the fiscal year under review, a comparative analysis of segment performance for the fiscal year under review is presented based on the revised reportable segments. Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Segment Information)” for more details.

#### Chemicals Business

In the Chemicals Business segment, as a lull in the number of units sold of high-end smartphones resulted in a low volume of production, the demand for chemicals driven by growth in units of products sold remained weak. Also, the demand for chemicals for Chinese brand smartphones with higher functionalities slowed down. While the demand for chemicals for other electronics devices remained solid, sales of plating chemicals for PWBs increased only slightly due to a weak replacement demand prior to the introduction of the next generation communications system. In China, expanded sales to new customers continued to contribute to the strong sales of plating chemicals for automotive components. Consequently, sales increased 0.5% year over year to 20,034 million yen with a segment profit down 0.8% to 7,867 million yen.

#### Machine Business

Orders received in the Machine Business segment decreased to 2,139 million yen (down 59.5% year over year) due to a reduction in orders for large-scale plating machines. However, thanks to the smooth progress of construction contract backlog, sales increased 51.6% to 4,796 million yen (of which sales in the former New Businesses segment was 711 million yen) with a segment profit of 209 million yen (as compared with a segment loss of 47 million yen a year earlier). The order backlog decreased to 1,258 million yen (down 67.5%).

#### Other

The Other businesses posted sales of 35 million yen (up 14.2% year over year) with a segment loss of 70 million yen (as compared with a segment loss of 79 million yen a year earlier).

### (2) Financial Position

#### Assets, liabilities and net assets

##### Assets

Total assets at the end of the fiscal year under review decreased 56 million yen (down 0.2%) from the end of the previous fiscal year to 32,174 million yen.

Current assets decreased 36 million yen (down 0.2%) to 24,103 million yen mainly due to decreases in notes and accounts receivable-trade and other, which were partially offset by an increase in cash and deposits.

Non-current assets decreased 20 million yen (down 0.3%) to 8,071 million yen mainly due to a decrease in investment securities, which was partially offset by an increase in property, plant and equipment.

##### Liabilities

Total liabilities at the end of the fiscal year under review decreased 1,543 million yen (down 16.7%) from the end of the previous fiscal year to 7,691 million yen.

Current liabilities decreased 2,043 million yen (down 29.3%) to 4,934 million yen mainly due to decreases in notes and accounts payable-trade and electronically recorded obligations-operating.

Non-current liabilities increased 499 million yen (up 22.1%) to 2,756 million yen mainly due to an increase in retirement benefit liability as a result of a transfer of the retirement benefit plan.

### **Net assets**

Net assets at the end of the fiscal year under review increased 1,487 million yen (up 6.5%) from the end of the previous fiscal year to 24,483 million yen.

This was mainly due to an increase in retained earnings, which was partially offset by the purchase of treasury shares and a decrease in foreign currency translation adjustment.

### **(3) Cash Flows**

Cash and cash equivalents at the end of the fiscal year under review decreased 366 million yen (down 3.0%) over the end of the previous fiscal year to 11,867 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 decreased 225 million yen (down 4.3%) year over year to 5,030 million yen because of an increase in notes and accounts receivable-trade and a decrease in notes and accounts payable-trade despite an increase of 95 million yen (up 1.4%) in profit before income taxes.

#### **Cash flows from investing activities**

Net cash used in investing activities increased 1,477 million yen (up 139.1%) year over year to 2,538 million yen mainly due to increases in time deposits and payments for the purchase of property, plant and equipment.

#### **Cash flows from financing activities**

Net cash used in financing activities increased 1,508 million yen (up 173.2%) year over year to 2,379 million yen mainly due to purchase of treasury shares and an increase in cash dividends paid.

### **(4) Outlook**

In the overseas markets, sales of plating chemicals for PWBs are expected to show a moderate recovery as our customers are busy preparing for commercialization of a 5G mobile communication system, and chemicals for the automotive sector are expected to remain solid. In the domestic market, however, sales of 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 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 Sheet

(Thousands of yen)

|  | FY3/18<br>(As of Mar. 31, 2018) | FY3/19<br>(As of Mar. 31, 2019) |
|--|---------------------------------|---------------------------------|
| Assets                                 |                                 |                                 |
| Current assets                         |                                 |                                 |
| Cash and deposits                      | 13,528,085                      | 14,785,864                      |
| Notes and accounts receivable-trade    | 7,437,495                       | 6,920,316                       |
| Merchandise and finished goods         | 1,318,175                       | 1,337,191                       |
| Work in process                        | *4 285,899                      | 71,509                          |
| Raw materials and supplies             | 415,774                         | 413,840                         |
| Other                                  | *3 1,332,732                    | 732,931                         |
| Allowance for doubtful accounts        | (178,684)                       | (158,444)                       |
| Total current assets                   | 24,139,478                      | 24,103,209                      |
| Non-current assets                     |                                 |                                 |
| Property, plant and equipment          |                                 |                                 |
| Buildings and structures               | *1 4,026,439                    | *1 4,037,269                    |
| Accumulated depreciation               | (1,599,808)                     | (1,766,857)                     |
| Buildings and structures, net          | *1 2,426,631                    | *1 2,270,412                    |
| Machinery, equipment and vehicles      | *1 2,249,693                    | *1 2,260,705                    |
| Accumulated depreciation               | (1,618,422)                     | (1,712,712)                     |
| Machinery, equipment and vehicles, net | *1 631,270                      | *1 547,993                      |
| Tools, furniture and fixtures          | *1 2,136,239                    | *1 2,292,572                    |
| Accumulated depreciation               | (1,664,165)                     | (1,768,363)                     |
| Tools, furniture and fixtures, net     | *1 472,073                      | *1 524,208                      |
| Land                                   | 522,824                         | 522,824                         |
| Leased assets                          | 197,622                         | 185,432                         |
| Accumulated depreciation               | (107,499)                       | (109,649)                       |
| Leased assets, net                     | 90,122                          | 75,782                          |
| Construction in progress               | 48,112                          | 520,135                         |
| Total property, plant and equipment    | 4,191,034                       | 4,461,355                       |
| Intangible assets                      |                                 |                                 |
| Goodwill                               | 1,823                           | 597                             |
| Other                                  | 48,876                          | 44,078                          |
| Total intangible assets                | 50,699                          | 44,676                          |
| Investments and other assets           |                                 |                                 |
| Investment securities                  | *2 2,801,022                    | *2 2,326,500                    |
| Deferred tax assets                    | 702,019                         | 780,331                         |
| Other                                  | 346,689                         | 458,208                         |
| Allowance for doubtful accounts        | (0)                             | (0)                             |
| Total investments and other assets     | 3,849,730                       | 3,565,040                       |
| Total non-current assets               | 8,091,464                       | 8,071,072                       |
| Total assets                           | 32,230,943                      | 32,174,282                      |

|   | (Thousands of yen)              |                                 |
|---|---------------------------------|---------------------------------|
|   | FY3/18<br>(As of Mar. 31, 2018) | FY3/19<br>(As of Mar. 31, 2019) |
| <b>Liabilities</b>                                    |                                 |                                 |
| <b>Current liabilities</b>                            |                                 |                                 |
| Notes and accounts payable-trade                      | 1,796,520                       | 963,522                         |
| Electronically recorded obligations-operating         | 1,518,545                       | 1,010,973                       |
| Short-term loans payable                              | 177,398                         | 125,936                         |
| Current portion of long-term loans payable            | 431,168                         | 379,115                         |
| Lease obligations                                     | 17,048                          | 12,010                          |
| Income taxes payable                                  | 954,646                         | 855,750                         |
| Provision for bonuses                                 | 352,980                         | 353,088                         |
| Provision for loss on construction contracts          | *4 17,101                       | -                               |
| Advances received                                     | 686,396                         | 216,785                         |
| Other   | 1,026,080                       | 1,017,108                       |
| <b>Total current liabilities</b>                      | <b>6,977,886</b>                | <b>4,934,290</b>                |
| <b>Non-current liabilities</b>                        |                                 |                                 |
| Long-term loans payable                               | 647,749                         | 707,979                         |
| Lease obligations                                     | 108,890                         | 96,815                          |
| Retirement benefit liability                          | 1,137,844                       | 1,575,193                       |
| Deferred tax liabilities                              | 62,793                          | 61,300                          |
| Asset retirement obligations                          | 230,643                         | 234,389                         |
| Other   | 69,056                          | 81,177                          |
| <b>Total non-current liabilities</b>                  | <b>2,256,976</b>                | <b>2,756,855</b>                |
| <b>Total liabilities</b>                              | <b>9,234,863</b>                | <b>7,691,145</b>                |
| <b>Net assets</b>                                     |                                 |                                 |
| <b>Shareholders' equity</b>                           |                                 |                                 |
| Capital stock   | 1,191,575                       | 1,206,723                       |
| Capital surplus                                       | 1,138,544                       | 1,159,198                       |
| Retained earnings                                     | 19,044,487                      | 22,685,830                      |
| Treasury shares                                       | -                               | (948,511)                       |
| <b>Total shareholders' equity</b>                     | <b>21,374,607</b>               | <b>24,103,240</b>               |
| <b>Accumulated other comprehensive income</b>         |                                 |                                 |
| Valuation difference on available-for-sale securities | 509,994                         | 248,229                         |
| Foreign currency translation adjustment               | 1,040,946                       | 119,360                         |
| <b>Total accumulated other comprehensive income</b>   | <b>1,550,941</b>                | <b>367,589</b>                  |
| <b>Non-controlling interests</b>                      | <b>70,531</b>                   | <b>12,306</b>                   |
| <b>Total net assets</b>                               | <b>22,996,079</b>               | <b>24,483,136</b>               |
| <b>Total liabilities and net assets</b>               | <b>32,230,943</b>               | <b>32,174,282</b>               |

**(2) Consolidated Statements of Income Comprehensive Income**  
**Consolidated Statement of Income**

(Thousands of yen)

|   | FY3/18<br>(Apr. 1, 2017 – Mar. 31, 2018) | FY3/19<br>(Apr. 1, 2018 – Mar. 31, 2019) |
|---|--|--|
| Net sales   | 23,120,222                               | 24,866,260                               |
| Cost of sales   | 9,019,192                                | 10,632,402                               |
| Gross profit  | 14,101,029                               | 14,233,857                               |
| Selling, general and administrative expenses                |  |  |
| Salaries and allowances                                     | 2,324,170                                | 2,259,392                                |
| Bonuses   | 672,828                                  | 655,408                                  |
| Retirement benefit expenses                                 | 135,236                                  | 114,972                                  |
| Depreciation  | 382,267                                  | 391,227                                  |
| Other   | 3,638,164                                | 3,740,519                                |
| Total selling, general and administrative expenses          | *1 7,152,666                             | *1 7,161,521                             |
| Operating profit  | 6,948,362                                | 7,072,336                                |
| Non-operating income  |  |  |
| Interest income   | 24,968                                   | 83,787                                   |
| Dividend income   | 36,567                                   | 36,814                                   |
| Subsidy income  | -  | 20,348                                   |
| House rent income   | 24,736                                   | 34,935                                   |
| Other   | 23,914                                   | 15,041                                   |
| Total non-operating income                                  | 110,187                                  | 190,926                                  |
| Non-operating expenses                                      |  |  |
| Interest expenses   | 21,205                                   | 20,996                                   |
| Foreign exchange losses                                     | 37,932                                   | 16,101                                   |
| Share of loss of entities accounted for using equity method | 14,139                                   | 11,710                                   |
| Other   | 12,951                                   | 21,663                                   |
| Total non-operating expenses                                | 86,229                                   | 70,472                                   |
| Ordinary profit   | 6,972,320                                | 7,192,790                                |
| Extraordinary income  |  |  |
| Gain on change in equity                                    | 16                                       | -  |
| Gain on sales of non-current assets                         | *2 3,594                                 | *2 144                                   |
| Gain on sales of investment securities                      | -  | 37,075                                   |
| Gain on liquidation of subsidiaries                         | -  | 12,250                                   |
| Total extraordinary income                                  | 3,610                                    | 49,470                                   |
| Extraordinary losses  |  |  |
| Loss on sales of non-current assets                         | *3 2,810                                 | *3 5,751                                 |
| Loss on retirement of non-current assets                    | *4 42,854                                | *4 2,363                                 |
| Loss on valuation of investment securities                  | 182,974                                  | -  |
| Loss on liquidation of subsidiaries                         | -  | 1,425                                    |
| Loss on transition of retirement benefit plan               | -  | 389,836                                  |
| Total extraordinary losses                                  | 228,638                                  | 399,376                                  |
| Profit before income taxes                                  | 6,747,292                                | 6,842,884                                |
| Income taxes-current  | 1,851,837                                | 1,821,682                                |
| Income taxes-deferred                                       | (26,959)                                 | 49,059                                   |
| Total income taxes  | 1,824,878                                | 1,870,742                                |
| Profit  | 4,922,414                                | 4,972,141                                |
| Profit attributable to non-controlling interests            | 16,282                                   | 8,546                                    |
| Profit attributable to owners of parent                     | 4,906,132                                | 4,963,594                                |



**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

|   | FY3/18<br>(Apr. 1, 2017 – Mar. 31, 2018) | FY3/19<br>(Apr. 1, 2018 – Mar. 31, 2019) |
|---|--|--|
| Profit  | 4,922,414                                | 4,972,141                                |
| Other comprehensive income  |  |  |
| Valuation difference on available-for-sale securities                             | 146,602                                  | (261,764)                                |
| Foreign currency translation adjustment   | 440,347                                  | (910,970)                                |
| Share of other comprehensive income of entities accounted for using equity method | (12,580)                                 | (12,689)                                 |
| Total other comprehensive income  | * 574,370                                | * (1,185,424)                            |
| Comprehensive income  | 5,496,784                                | 3,786,716                                |
| Comprehensive income attributable to:   |  |  |
| Owners of parent  | 5,480,206                                | 3,780,243                                |
| Non-controlling interests   | 16,578                                   | 6,473                                    |

**(3) Consolidated Statement of Changes in Shareholders' Equity**

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       |

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

|   | Shareholders' equity |                 |                   |                 |                            |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of current period  | 1,191,575            | 1,138,544       | 19,044,487        | -               | 21,374,607                 |
| Changes of items during period  |                      |                 |                   |                 |                            |
| Issuance of new shares  | 15,147               | 15,147          |                   |                 | 30,295                     |
| Dividends of surplus  |                      |                 | (1,322,252)       |                 | (1,322,252)                |
| Profit attributable to owners of parent   |                      |                 | 4,963,594         |                 | 4,963,594                  |
| Change in ownership interest of parent due to transactions with non-controlling interests |                      | 5,506           |                   |                 | 5,506                      |
| Purchase of treasury shares   |                      |                 |                   | (948,511)       | (948,511)                  |
| Net changes of items other than shareholders' equity                                      |                      |                 |                   |                 | -                          |
| Total changes of items during period  | 15,147               | 20,654          | 3,641,342         | (948,511)       | 2,728,632                  |
| Balance at the end of current period  | 1,206,723            | 1,159,198       | 22,685,830        | (948,511)       | 24,103,240                 |

|   | 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  | 509,994   | 1,040,946                               | 1,550,941                                    | 70,531                    | 22,996,079       |
| Changes of items during period  |   |   |  |                           |                  |
| Issuance of new shares  |   |   | -  |                           | 30,295           |
| Dividends of surplus  |   |   | -  |                           | (1,322,252)      |
| Profit attributable to owners of parent   |   |   | -  |                           | 4,963,594        |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |   | -  |                           | 5,506            |
| Purchase of treasury shares   |   |   | -  |                           | (948,511)        |
| Net changes of items other than shareholders' equity                                      | (261,764)   | (921,586)                               | (1,183,351)                                  | (58,224)                  | (1,241,576)      |
| Total changes of items during period  | (261,764)   | (921,586)                               | (1,183,351)                                  | (58,224)                  | 1,487,056        |
| Balance at the end of current period  | 248,229   | 119,360                                 | 367,589                                      | 12,306                    | 24,483,136       |

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

|  | FY3/18<br>(Apr. 1, 2017 – Mar. 31, 2018) | FY3/19<br>(Apr. 1, 2018 – Mar. 31, 2019) |
|--|--|--|
| Cash flows from operating activities                                 |  |  |
| Profit before income taxes   | 6,747,292                                | 6,842,884                                |
| Depreciation   | 588,281                                  | 586,760                                  |
| Amortization of goodwill   | 4,539                                    | 1,217                                    |
| Increase (decrease) in allowance for doubtful accounts               | (18,911)                                 | (9,638)                                  |
| Increase (decrease) in provision for bonuses                         | 17,462                                   | 187                                      |
| Increase (decrease) in retirement benefit liability                  | 98,209                                   | 439,971                                  |
| Interest and dividend income   | (61,535)                                 | (120,601)                                |
| Interest expenses  | 21,205                                   | 20,996                                   |
| Foreign exchange losses (gains)                                      | 5,435                                    | (12,875)                                 |
| Share of loss (profit) of entities accounted for using equity method | 14,139                                   | 11,710                                   |
| Gain on sales of noncurrent assets                                   | (3,594)                                  | (144)                                    |
| Loss on sales of noncurrent assets                                   | 2,810                                    | 5,751                                    |
| Loss on retirement of non-current assets                             | 37,295                                   | 2,363                                    |
| Loss (gain) on valuation of investment securities                    | 182,974                                  | -  |
| Loss (gain) on sales of investment securities                        | -  | (37,075)                                 |
| Decrease (increase) in notes and accounts receivable-trade           | (954,673)                                | 189,470                                  |
| Increase (decrease) in advances received                             | 651,482                                  | (443,739)                                |
| Decrease (increase) in inventories                                   | (280,161)                                | 80,402                                   |
| Increase (decrease) in notes and accounts payable-trade              | 390,147                                  | (1,295,064)                              |
| Decrease (increase) in advance payments                              | (529,384)                                | 613,617                                  |
| Other, net   | 104,587                                  | (50,728)                                 |
| Subtotal   | 7,017,601                                | 6,825,465                                |
| Interest and dividend income received                                | 60,961                                   | 103,943                                  |
| Interest expenses paid   | (21,727)                                 | (20,505)                                 |
| Income taxes paid  | (1,811,419)                              | (1,880,651)                              |
| Income taxes refund  | 10,348                                   | 2,426                                    |
| Net cash provided by (used in) operating activities                  | 5,255,763                                | 5,030,678                                |
| Cash flows from investing activities                                 |  |  |
| Decrease (increase) in time deposits                                 | (83,685)                                 | (1,698,002)                              |
| Purchase of property, plant and equipment                            | (475,710)                                | (874,959)                                |
| Proceeds from sales of property, plant and equipment                 | 5,242                                    | 896                                      |
| Purchase of intangible assets  | (12,318)                                 | (17,781)                                 |
| Purchase of investment securities                                    | (500,830)                                | (50,877)                                 |
| Proceeds from sales of investment securities                         | -  | 129,656                                  |
| Other, net   | 5,667                                    | (27,650)                                 |
| Net cash provided by (used in) investing activities                  | (1,061,634)                              | (2,538,718)                              |

|   | (Thousands of yen)             |                                |
|---|--------------------------------|--------------------------------|
|   | FY3/18                         | FY3/19                         |
|   | (Apr. 1, 2017 – Mar. 31, 2018) | (Apr. 1, 2018 – Mar. 31, 2019) |
| Cash flows from financing activities  |                                |                                |
| Net increase (decrease) in short-term loans payable   | 122,525                        | (43,690)                       |
| Proceeds from long-term loans payable   | 500,000                        | 500,000                        |
| Repayments of long-term loans payable   | (487,007)                      | (477,473)                      |
| Repayments of finance lease obligations   | (22,176)                       | (15,118)                       |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (9,829)                        | (65,202)                       |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | 12,143                         | -                              |
| Purchase of treasury shares   | (149)                          | (948,511)                      |
| Cash dividends paid   | (973,305)                      | (1,321,344)                    |
| Proceeds from share issuance to non-controlling shareholders  | 2,934                          | -                              |
| Dividends paid to non-controlling interests   | (14,134)                       | (5,784)                        |
| Other, net  | (1,958)                        | (2,654)                        |
| Net cash provided by (used in) financing activities   | (870,959)                      | (2,379,778)                    |
| Effect of exchange rate change on cash and cash equivalents   | 147,741                        | (479,169)                      |
| Net increase (decrease) in cash and cash equivalents  | 3,470,910                      | (366,988)                      |
| Cash and cash equivalents at beginning of period  | 8,764,006                      | 12,234,917                     |
| Cash and cash equivalents at end of period  | * 12,234,917                   | * 11,867,928                   |

**(5) Notes to Quarterly 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: 15

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.

PT. JCU Indonesia

JCU Technology (Shenzhen) 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.

Sorapuchi Farm Corporation

(Note) During the fiscal year under review, we established Sorapuchi Farm Corporation, making it a consolidated subsidiary. Ginza Suzurando Cosmetics Co., Ltd. and JCU (BEIJING) TRADING CO., LTD., which had been our consolidated subsidiaries in the previous fiscal year, were excluded from the scope of consolidation as their liquidation was completed during the fiscal year under review.

## 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 two 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 costs

Stock issue costs are expensed as incurred.

(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 fiscal year under review 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 fiscal year under review, 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 fiscal year under review  
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 retirement 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 fiscal year under review.



## Accounting Standards, Others that Have Not Yet Been Applied

- *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 Standard and Guidance from the beginning of the fiscal year ending March 31, 2022.

### (3) Effects of the application of the above standard and guidance

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

## Reclassifications

(Application of *Partial Amendments to Accounting Standard for Tax Effect Accounting*)

Effective from the beginning of the fiscal year under review, the Company applied *Partial Amendments to Accounting Standard for Tax Effect Accounting* (ASBJ Statement No. 28, February 16, 2018; hereafter "*Partial Amendments to Tax Effect Accounting Standard*"). Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the consolidated balance sheet, respectively.

As a result, "Deferred tax assets" of 654,171 thousand yen in the current assets section and "Deferred tax liabilities" of 98,184 thousand yen in the current liabilities of the consolidated balance sheet at the end of the previous fiscal year have now been included in "Deferred tax assets" of 702,019 thousand yen in the investments and other assets section and "Deferred tax liabilities" of 62,793 thousand yen in the non-current liabilities section, respectively.

It is noted that total assets at the end of the previous fiscal year decreased by 35,391 thousand yen as a result of the offsetting of deferred tax assets and deferred tax liabilities arising from the same taxable entity.

The notes to the consolidated financial statements on tax effect accounting includes matters described in Note 8 (excluding the total amount of valuation allowance) and Note 9 of *Accounting Standard for Tax Effect Accounting*, which are provided in paragraphs 3 to 5 of *Partial Amendments to Tax Effect Accounting Standard*. However, the description concerning the previous fiscal year are omitted in accordance with the transitional treatment as provided in paragraph 7 of *Partial Amendments to Tax Effect Accounting Standard*.

**Deferred Tax Accounting**

| 1. Details of the causes for deferred tax assets and deferred tax liabilities  | (Thousands of yen)              |                                 |
|--|---------------------------------|---------------------------------|
|  | FY3/18<br>(As of Mar. 31, 2018) | FY3/19<br>(As of Mar. 31, 2019) |
| Deferred tax assets  |                                 |                                 |
| Reserve for bonuses denied   | 108,610                         | 106,838                         |
| Retirement benefit liability denied  | 343,896                         | 477,132                         |
| Long-term accounts payable -other denied   | 19,146                          | 26,418                          |
| Share-based remuneration expenses denied   | 7,577                           | 15,291                          |
| Depreciation in excess of tax allowance  | 55,578                          | 38,946                          |
| Loss on valuation of investment securities denied  | 35,896                          | 39,665                          |
| Asset retirement obligations   | 64,069                          | 65,737                          |
| Impairment loss on non-current assets denied   | 3,373                           | 1,996                           |
| Consolidated intra-company profit elimination  | 319,292                         | 235,285                         |
| Temporary difference related to investment in consolidated subsidiary  | 179,325                         | 134,920                         |
| Other  | 280,860                         | 231,359                         |
| Deferred tax assets -subtotal  | 1,417,626                       | 1,373,592                       |
| Valuation allowance (Note 1)   | (86,000)                        | (141,150)                       |
| Deferred tax assets -total   | 1,331,626                       | 1,232,442                       |
| Deferred tax liabilities   |                                 |                                 |
| Reserve for reduction entry  | 129,075                         | 124,612                         |
| Reserve for special depreciation   | 56,866                          | 42,650                          |
| Disposal costs for asset retirement obligations  | 34,697                          | 33,140                          |
| Valuation difference on available-for-sale securities  | 219,511                         | 103,464                         |
| Other  | 252,248                         | 209,543                         |
| Deferred tax liabilities -total  | 692,400                         | 513,411                         |
| Deferred tax assets (liabilities) -net   | 639,225                         | 719,031                         |
| Notes: 1. Valuation allowance increased by 55,150 thousand yen, which includes 32,570 thousand yen and 13,399 thousand yen, respectively in consolidated subsidiaries JCU INTERNATIONAL, INC. and JCU CHEMICALS INDIA PVT. LTD. This was due to an additional allowance associated with loss carried forward was recognized. |                                 |                                 |

2. Net deferred tax assets are included in the following consolidated balance sheet accounts

|  | (Thousands of yen)              |                                 |
|--|---------------------------------|---------------------------------|
|  | FY3/18<br>(As of Mar. 31, 2018) | FY3/19<br>(As of Mar. 31, 2019) |
| Non-current assets - Deferred tax assets           | 702,019                         | 780,331                         |
| Non-current liabilities - Deferred tax liabilities | 62,793                          | 61,300                          |

| 2. Significant components of difference between statutory and effective tax rates | (%)                             |                                 |
|---|---------------------------------|---------------------------------|
|   | FY3/18<br>(As of Mar. 31, 2018) | FY3/19<br>(As of Mar. 31, 2019) |
| Statutory tax rate  | 30.86                           | 30.62                           |
| (Adjustments)   |                                 |                                 |
| Permanent differences such as entertainment expenses                              | 0.40                            | 0.38                            |
| Valuation allowance   | 1.09                            | 0.95                            |
| Income taxes refund   | (2.82)                          | (1.14)                          |
| Per capita residential tax  | 0.14                            | 0.13                            |
| Difference in tax rate of overseas subsidiaries                                   | (8.31)                          | (8.70)                          |
| Foreign withholding taxes for dividends from overseas Subsidiaries                | 4.82                            | 2.76                            |
| Other   | 0.87                            | 2.34                            |
| Effective tax rate after tax effect accounting                                    | 27.05                           | 27.34                           |

## 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.

Effective from the fiscal year under review, the Company 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" business segment, which include businesses other than those included in the two reportable segments.

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

The segment information for the previous fiscal year is presented based on the new reportable segment structure after the organizational change.

#### (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, PWB cleaning equipment utilizing the plasma technology, solar power generation equipment, as well as generates and sells solar power in domestic and overseas markets.

### 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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

|   | Reportable segment    |                     |            | Other<br>(Note 1) | Total      | Adjustments<br>(Note 2) | Amounts<br>shown on<br>consolidated<br>statements of<br>income<br>(Note 4) |
|---|-----------------------|---------------------|------------|-------------------|------------|-------------------------|--|
|   | Chemicals<br>Business | Machine<br>Business | Subtotal   |                   |            |                         |  |
| Sales                                   |                       |                     |            |                   |            |                         |  |
| Sales to outside<br>customers           | 19,925,687            | 3,163,501           | 23,089,189 | 31,032            | 23,120,222 | -                       | 23,120,222   |
| Inter-segment<br>sales and<br>transfers | -                     | -                   | -          | -                 | -          | -                       | -  |
| Total                                   | 19,925,687            | 3,163,501           | 23,089,189 | 31,032            | 23,120,222 | -                       | 23,120,222   |
| Segment profit<br>(loss)                | 7,933,033             | (47,104)            | 7,885,928  | (79,905)          | 7,806,023  | (857,660)               | 6,948,362  |
| Other items                             |                       |                     |            |                   |            |                         |  |
| Depreciation<br>expense (Note 3)        | 523,387               | 42,181              | 565,569    | 1,534             | 567,103    | 21,178                  | 588,281  |

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

|   | Reportable segment    |                     |            | Other<br>(Note 1) | Total      | Adjustments<br>(Note 2) | Amounts<br>shown on<br>consolidated<br>statements of<br>income<br>(Note 4) |
|---|-----------------------|---------------------|------------|-------------------|------------|-------------------------|--|
|   | Chemicals<br>Business | Machine<br>Business | Subtotal   |                   |            |                         |  |
| Sales                                   |                       |                     |            |                   |            |                         |  |
| Sales to outside<br>customers           | 20,034,554            | 4,796,253           | 24,830,808 | 35,451            | 24,866,260 | -                       | 24,866,260   |
| Inter-segment<br>sales and<br>transfers | -                     | -                   | -          | 4,942             | 4,942      | (4,942)                 | -  |
| Total                                   | 20,034,554            | 4,796,253           | 24,830,808 | 40,393            | 24,871,202 | (4,942)                 | 24,866,260   |
| Segment profit<br>(loss)                | 7,867,255             | 209,557             | 8,076,812  | (70,173)          | 8,006,638  | (934,302)               | 7,072,336  |
| Other items                             |                       |                     |            |                   |            |                         |  |
| Depreciation<br>expense (Note 3)        | 524,587               | 12,444              | 537,031    | 29,641            | 566,672    | 20,087                  | 586,760  |

- Notes: 1. The “Other” segment represents business activities that are not included in any of the two reportable segments, and includes businesses engaged in color processing with the sputtering technology, drinking water, and wine.  
 2. Details of the above adjustments to segment profit (loss) are as follows.

| To segment profit   | (Thousands of yen) |           |
|---------------------|--------------------|-----------|
|                     | FY3/18             | FY3/19    |
| Corporate expenses* | (857,660)          | (934,302) |

\* Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segment.

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

### Material Subsequent Events

Not applicable.

\* 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.