



November 1, 2019

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (Six Months Ended September 30, 2019)

[Japanese GAAP]

Company name: JCU CORPORATION

Listing: Tokyo Stock Exchange, First Section

Stock code: 4975

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Scheduled date of filing of Quarterly Report:

November 7, 2019

Scheduled date of payment of dividend:

December 2, 2019

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on November 1, 2019 at 15:00. (GMT +9).

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2019

(April 1, 2019 – September 30, 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	%
Six months ended Sep. 30, 2019	10,184	(22.1)	2,919	(14.8)	2,869	(17.9)	2,027	(20.8)
Six months ended Sep. 30, 2018	13,078	27.5	3,427	10.3	3,495	14.2	2,559	13.8

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: 1,498 (down 17.7%)
Six months ended Sep. 30, 2018: 1,819 (down 31.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	74.88	-
Six months ended Sep. 30, 2018	91.95	-

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	Million yen	%
As of Sep. 30, 2019	31,578		24,842			78.6
As of Mar. 31, 2019	32,174		24,483			76.1

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 24,830 As of Mar. 31, 2019: 24,470

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/19	-	22.50	-	22.50	45.00
FY3/20	-	23.50	-	-	-
FY3/20 (forecasts)	-	-	-	25.00	48.50

Note: Revisions to the most recently announced dividend forecast: Yes

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
Full year	22,000	(11.5)	6,150	(13.0)	6,100	(15.2)	4,250	(14.4)	157.07

Note: Revisions to the most recently announced consolidated forecast: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

(4) Number of outstanding shares (common stock)

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

As of Sep. 30, 2019:	27,856,115 shares	As of Mar. 31, 2019:	27,842,470 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	817,253 shares	As of Mar. 31, 2019:	530,653 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	27,077,404 shares	Six months ended Sep. 30, 2018:	27,835,130 shares
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Note 1: The quarterly financial report is not subject to quarterly review 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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the fiscal year ending March 31, 2020 (hereafter, “the period under review”), the JCU Group reported net sales of 10,184 million yen (down 22.1% year over year), which were affected by a significant decrease in sales of plating machines on top of a decrease in sales of chemicals. As a result, operating profit, ordinary profit, and profit attributable to owners of parent amounted to 2,919 million yen (down 14.8% year over year), 2,869 million yen (down 17.9% year over year), and 2,027 million yen (down 20.8% year over year), respectively.

The results of segment operations were as follows.

Chemicals Business

In the Chemicals Business segment, the business of chemicals for electronic components showed clearer signs of recovery in the second quarter than in the first quarter; however, sales and production of high-end smartphones remained sluggish from the second half of the previous fiscal year due to consumers unwilling to buy current models before commercialization of the 5G mobile communication system. According to the above situation, demand for chemicals remained soft. As for chemicals for decoration, we expanded sales of those for automotive components to new customers, but production slowed down in China affected by the US-China trade friction, resulting in generally unchanged overall sales of plating chemicals. Including the impact of the stronger yen, the segment sales decreased 5.9% year over year to 9,215 million yen with a segment profit down 5.6% to 3,520 million yen.

Machine Business

Sales of the Machine Business segment decreased to 953 million yen (down 70.8% year over year) with a segment loss of 64 million yen (as compared with a segment profit of 222 million yen a year earlier) due to absence of orders as large as those we received in the previous fiscal year, as well as a delay in a construction project, for which we planned to report sales for the period under review. Despite the absence of orders for large-scale plating machines, new orders received during the period under review increased 166.7% year over year to 1,764 million yen. The order backlog increased to 2,103 million yen (up 62.2% year over year).

Other businesses

The Other businesses posted sales of 15 million yen (down 20.9% year over year) with a segment loss of 39 million yen (as compared with a segment loss of 27 million yen a year earlier).

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Assets

Total assets at the end of the period under review decreased 595 million yen (down 1.9%) from the end of the previous fiscal year to 31,578 million yen.

Current assets decreased 441 million yen (down 1.8%) to 23,662 million yen mainly due to a decrease in trade receivables.

Non-current assets decreased 154 million yen (down 1.9%) to 7,916 million yen. This was due to decreases in investment securities resulting from sales of such securities and deferred tax assets, which were partially offset by an increase in construction in progress that represents a plant under construction at JCU Surface Technology Hubei Co., Ltd.

Liabilities

Total liabilities at the end of the period under review decreased 954 million yen (down 12.4%) from the end of the previous fiscal year to 6,736 million yen.

Current liabilities decreased 372 million yen (down 7.6%) to 4,561 million yen mainly due to decreases in electronically recorded obligations-operating and income taxes payable as a result of the payment of income taxes.

Non-current liabilities decreased 582 million yen (down 21.1%) to 2,174 million yen mainly due to a decrease in retirement benefit liability as a result of the transition to a defined contribution plan.

Net assets

Net assets at the end of the period under review increased 359 million yen (up 1.5%) from the end of the previous fiscal year to 24,842 million yen. This was mainly due to an increase in retained earnings from profit, which was partially offset by an increase in treasury shares attributable to share buyback, a decrease in retained earnings as a result of payment of cash dividends, and a decrease in foreign currency translation adjustment.

2) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the period under review decreased 1,109 million yen from the end of the previous fiscal year to 10,758 million yen.

Cash flows from operating activities

Net cash provided by operating activities decreased 173 million yen (down 10.2%) year over year to 1,523 million yen. This was mainly due to a year-over-year decrease of 346 million yen in advance payments and a year-over-year decrease of 629 million yen (down 17.9%) in profit before income taxes, which more than offset a year-over-year increase of 575 million yen in trade payables, and a year-over-year increase of 387 million yen in advances received.

Cash flows from investing activities

Net cash used in investing activities increased 332 million yen (up 25.0%) year over year to 1,662 million yen mainly due to an increase in time deposits of 1,002 million yen and purchase of property, plant and equipment of 786 million yen.

Cash flows from financing activities

Net cash used in financing activities increased 533 million yen (up 203.6%) year over year to 795 million yen mainly due to purchase of treasury shares.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

For the full-year consolidated forecast for the fiscal year ending March 31, 2020, the Company has reviewed the current performance trends and revised the previously released forecast of May 8, 2019 as follows.

**Revisions to the full-year consolidated forecast for the fiscal year ending March 31, 2020
(April 1, 2019 to March 31, 2020)**

	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
Previous forecast (A)	25,000	7,200	7,300	5,000	184.79
Revised forecast (B)	22,000	6,150	6,100	4,250	157.07
Change (B-A)	(3,000)	(1,050)	(1,200)	(750)	
Change (%)	(12.0)	(14.6)	(16.4)	(15.0)	
Reference: Previous fiscal year's results (Fiscal year ended March 31, 2019)	24,866	7,072	7,192	4,963	178.55

The above projections are based on information available at the time of release of this summary report. Actual results may differ significantly from these projections due to changes in the economic environment and other factors in the future.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	14,785,864	14,637,732
Notes and accounts receivable-trade	6,920,316	6,601,317
Merchandise and finished goods	1,337,191	1,270,099
Work in process	71,509	59,976
Raw materials and supplies	413,840	548,902
Other	732,931	708,700
Allowance for doubtful accounts	(158,444)	(164,564)
Total current assets	24,103,209	23,662,164
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,270,412	2,165,820
Machinery, equipment and vehicles, net	547,993	503,857
Tools, furniture and fixtures, net	524,208	462,451
Land	522,824	522,824
Leased assets, net	75,782	70,450
Construction in progress	520,135	1,047,063
Total property, plant and equipment	4,461,355	4,772,467
Intangible assets		
Goodwill	597	-
Other	44,078	42,362
Total intangible assets	44,676	42,362
Investments and other assets		
Investment securities	2,326,500	2,005,171
Deferred tax assets	780,331	651,791
Other	458,208	444,973
Allowance for doubtful accounts	(0)	-
Total investments and other assets	3,565,040	3,101,936
Total non-current assets	8,071,072	7,916,766
Total assets	32,174,282	31,578,930

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	963,522	902,068
Electronically recorded obligations-operating	1,010,973	747,840
Short-term borrowings	125,936	215,157
Current portion of long-term borrowings	379,115	441,528
Lease obligations	12,010	11,527
Income taxes payable	855,750	427,530
Provision for bonuses	353,088	411,725
Advances received	216,785	200,872
Other	1,017,108	1,203,457
Total current liabilities	4,934,290	4,561,709
Non-current liabilities		
Long-term borrowings	707,979	927,442
Lease obligations	96,815	93,845
Retirement benefit liability	1,575,193	59,968
Deferred tax liabilities	61,300	34,567
Asset retirement obligations	234,389	238,909
Other	81,177	819,980
Total non-current liabilities	2,756,855	2,174,714
Total liabilities	7,691,145	6,736,423
Net assets		
Shareholders' equity		
Share capital	1,206,723	1,220,259
Capital surplus	1,159,198	1,172,720
Retained earnings	22,685,830	24,098,963
Treasury shares	(948,511)	(1,499,996)
Total shareholders' equity	24,103,240	24,991,946
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	248,229	135,433
Foreign currency translation adjustment	119,360	(297,060)
Total accumulated other comprehensive income	367,589	(161,626)
Non-controlling interests	12,306	12,187
Total net assets	24,483,136	24,842,506
Total liabilities and net assets	32,174,282	31,578,930

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Six-month Period)**

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	13,078,017	10,184,453
Cost of sales	6,002,465	3,745,660
Gross profit	7,075,552	6,438,792
Selling, general and administrative expenses		
Salaries and allowances	1,149,311	1,149,431
Bonuses	347,391	342,207
Retirement benefit expenses	75,156	65,235
Depreciation	181,767	201,795
Provision of allowance for doubtful accounts	-	16,857
Other	1,894,553	1,743,852
Total selling, general and administrative expenses	3,648,179	3,519,381
Operating profit	3,427,372	2,919,411
Non-operating income		
Interest income	34,478	46,471
Dividend income	22,730	17,209
Subsidy income	20,798	34,036
Reversal of allowance for doubtful accounts	2,827	-
Other	21,513	29,342
Total non-operating income	102,348	127,058
Non-operating expenses		
Interest expenses	10,006	6,619
Foreign exchange losses	12,150	87,904
Share of loss of entities accounted for using equity method	9,185	44,606
Other	2,715	38,209
Total non-operating expenses	34,057	177,339
Ordinary profit	3,495,663	2,869,130
Extraordinary income		
Gain on sales of non-current assets	147	603
Gain on sales of investment securities	-	29,209
Gain on liquidation of subsidiaries	12,251	-
Total extraordinary income	12,399	29,813
Extraordinary losses		
Loss on retirement of non-current assets	861	4,165
Impairment loss	-	16,580
Total extraordinary losses	861	20,746
Profit before income taxes	3,507,202	2,878,197
Income taxes-current	812,238	701,790
Income taxes-deferred	132,973	148,680
Total income taxes	945,212	850,470
Profit	2,561,989	2,027,726
Profit attributable to non-controlling interests	2,541	78
Profit attributable to owners of parent	2,559,447	2,027,648

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	2,561,989	2,027,726
Other comprehensive income		
Valuation difference on available-for-sale securities	(60,682)	(112,795)
Foreign currency translation adjustment	(663,729)	(414,927)
Share of other comprehensive income of entities accounted for using equity method	(17,902)	(1,533)
Total other comprehensive income	(742,313)	(529,257)
Comprehensive income	1,819,675	1,498,469
Comprehensive income attributable to:		
Owners of parent	1,824,924	1,498,432
Non-controlling interests	(5,248)	37

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	3,507,202	2,878,197
Depreciation	277,171	290,624
Impairment loss	-	16,580
Amortization of goodwill	604	608
Increase (decrease) in allowance for doubtful accounts	(2,827)	10,939
Increase (decrease) in provision for bonuses	61,101	59,660
Increase (decrease) in retirement benefit liability	33,554	(1,512,734)
Interest and dividend income	(57,209)	(63,680)
Interest expenses	10,006	6,619
Foreign exchange losses (gains)	(32,642)	83
Share of loss (profit) of entities accounted for using equity method	9,185	44,606
Loss (gain) on sales of non-current assets	(147)	(603)
Loss on retirement of non-current assets	861	4,165
Loss (gain) on sales of investment securities	-	(29,209)
Decrease (increase) in trade receivables	(924)	158,841
Increase (decrease) in advances received	(402,958)	(15,740)
Decrease (increase) in inventories	64,663	(100,902)
Increase (decrease) in trade payables	(754,538)	(178,644)
Decrease (increase) advance payments-trade	303,816	(43,090)
Other, net	(197,731)	1,046,200
Subtotal	2,819,187	2,572,523
Interest and dividends received	44,355	67,914
Interest paid	(9,462)	(6,878)
Income taxes paid	(1,156,780)	(1,114,688)
Income taxes refund	-	4,706
Net cash provided by (used in) operating activities	1,697,300	1,523,577
Cash flows from investing activities		
Decrease (increase) in time deposits	(615,394)	(1,002,911)
Purchase of property, plant and equipment	(640,211)	(786,840)
Proceeds from sales of property, plant and equipment	759	603
Purchase of intangible assets	(11,868)	(8,413)
Purchase of investment securities	(50,456)	(465)
Proceeds from sales of investment securities	-	120,359
Other, net	(12,270)	15,330
Net cash provided by (used in) investing activities	(1,329,441)	(1,662,337)

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	215,076	94,654
Proceeds from long-term borrowings	500,000	500,000
Repayments of long-term borrowings	(267,086)	(218,124)
Repayments of finance lease obligations	(7,776)	(6,394)
Purchase of treasury shares	(131)	(551,484)
Dividends paid	(695,226)	(613,833)
Dividends paid to non-controlling interests	(5,744)	(153)
Other, net	(1,138)	(100)
Net cash provided by (used in) financing activities	(262,026)	(795,436)
Effect of exchange rate change on cash and cash equivalents	(325,291)	(175,629)
Net increase (decrease) in cash and cash equivalents	(219,460)	(1,109,826)
Cash and cash equivalents at beginning of period	12,234,917	11,867,928
Cash and cash equivalents at end of period	12,015,456	10,758,101

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Omitted because there is no significant change in the amount of shareholders' equity from the end of the previous fiscal year.

Segment and Other Information

I. First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

1. Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	9,792,768	3,265,730	13,058,499	19,518	13,078,017	-	13,078,017
Inter-segment sales and transfers	-	-	-	2,525	2,525	(2,525)	-
Total	9,792,768	3,265,730	13,058,499	22,043	13,080,542	(2,525)	13,078,017
Segment profit (loss)	3,728,709	222,921	3,951,630	(27,466)	3,924,163	(496,790)	3,427,372

Notes: 1. The "Other" businesses 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 adjustments to segment profit (loss) are as follows.

To segment profit (Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)
Inter-segment transaction elimination	-
Corporate expenses*	(496,790)
Total	(496,790)

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

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

1. Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	9,215,993	953,028	10,169,022	15,431	10,184,453	-	10,184,453
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	9,215,993	953,028	10,169,022	15,431	10,184,453	-	10,184,453
Segment profit (loss)	3,520,056	(64,081)	3,455,975	(39,806)	3,416,168	(496,756)	2,919,411

Notes: 1. The “Other” businesses 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 adjustments to segment profit (loss) are as follows.

To segment profit

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Inter-segment transaction elimination	-
Corporate expenses*	(496,756)
Total	(496,756)

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

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

As impairment loss on non-current assets of 16,580 thousand yen is mainly related to idle assets, it is not allocated to any reportable segment.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

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.