



February 3, 2020

**Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020
(Nine Months Ended December 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 filing of Quarterly Report:

February 7, 2020

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 3, 2020 at 16:00. (GMT +9).

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019

(April 1, 2019 – December 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	%
Nine months ended Dec. 31, 2019	16,021	(18.0)	4,701	(13.9)	4,675	(15.3)	3,324	(16.3)
Nine months ended Dec. 31, 2018	19,549	19.7	5,459	7.8	5,521	9.1	3,972	7.3

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2019: 2,522 (down 20.5%)

Nine months ended Dec. 31, 2018: 3,174 (down 24.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2019	122.96	-
Nine months ended Dec. 31, 2018	142.72	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2019	31,169	24,471	78.5
As of Mar. 31, 2019	32,174	24,483	76.1

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2019: 24,459

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: 1. Revisions to the most recently announced dividend forecast: None

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)	157.59

Note: Revisions to the most recently announced consolidated forecast: None

*** 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 Dec. 31, 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 Dec. 31, 2019:	1,080,953 shares	As of Mar. 31, 2019:	530,653 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2019:	27,032,893 shares	Nine months ended Dec. 31, 2018:	27,837,569 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 nine months of the fiscal year ending March 31, 2020 (hereafter, “the period under review”), the JCU Group reported net sales of 16,021 million yen (down 18.0% 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 4,701 million yen (down 13.9% year over year), 4,675 million yen (down 15.3% year over year), and 3,324 million yen (down 16.3% 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 during the period under review showed more confidence in market recovery than in the first half, supported by factors such as 5G (the fifth-generation mobile communication system) infrastructure development activated in China and mass production of smartphones for new model sales in Taiwan. However, sales and production remained sluggish due to consumers unwilling to buy high-end smartphones before commercialization of 5G models. Under the above situation, demand for chemicals remained soft. As for chemicals for decoration, sales and production of automobiles slowed down in China affected by the US-China trade friction, resulting in continued soft demand for plating chemicals. Including the impact of the stronger yen, the segment sales decreased 5.9% year over year to 14,304 million yen with a segment profit down 7.5% to 5,548 million yen.

Machine Business

Sales of the Machine Business segment decreased to 1,696 million yen (down 60.7% year over year) with a segment loss of 62 million yen (as compared with a segment profit of 222 million yen a year earlier) due to absence of projects as large as those we received in the previous fiscal year. New orders received during the period under review increased 49.5% year over year to 1,893 million yen. The order backlog increased to 1,495 million yen (up 74.0% year over year).

Other businesses

The Other businesses posted sales of 20 million yen (down 23.2% year over year) with a segment loss of 62 million yen (as compared with a segment loss of 43 million yen a year earlier).

(2) Explanation of Financial Position

Assets

Total assets at the end of the period under review decreased 1,004 million yen (down 3.1%) from the end of the previous fiscal year to 31,169 million yen.

Current assets decreased 1,004 million yen (down 4.2%) to 23,098 million yen due to a decrease in cash and deposits, which was partially offset by increases mainly in notes and accounts receivable-trade and “other” (consisting of advance payments-trade and income and consumption taxes receivable from the Japanese tax authority).

Non-current assets slightly increased to 8,071 million yen mainly due to an increase in construction in progress that represents a plant under construction at JCU Surface Technology Hubei Co., Ltd., which was partially offset by decreases mainly in investment securities and deferred tax assets.

Liabilities

Total liabilities at the end of the period under review decreased 992 million yen (down 12.9%) from the end of the previous fiscal year to 6,698 million yen.

Current liabilities decreased 274 million yen (down 5.6%) to 4,659 million yen mainly due to decreases in electronically recorded obligations-operating and income taxes payable as a result of the payment of income taxes, which were partially offset by an increase mainly in notes and accounts payable-trade.

Non-current liabilities decreased 718 million yen (down 26.0%) to 2,038 million yen mainly due to a decrease in retirement benefit liability as a result of the transition to a defined contribution plan.

For the outstanding contribution amount for transition to a defined contribution pension plan, which was included in retirement benefit liability at the end of the previous fiscal year, we included it in the following accounts at the end of the period under review: 377 million yen in “other” in the current liabilities section and 732 million yen in “other” in the non-current liabilities section.

Net assets

Net assets at the end of the period under review decreased 11 million yen (down 0.0%) from the end of the previous fiscal year to 24,471 million yen. This was due to 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, which were partially offset by an increase in retained earnings from profit attributable to owners of parent.

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

The full-year consolidated forecast for the fiscal year ending March 31, 2020 remains unchanged from the full-year consolidated forecast announced on November 1, 2019 in the “Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020.”

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Third quarter of FY3/20 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	14,785,864	12,237,094
Notes and accounts receivable-trade	6,920,316	7,266,211
Merchandise and finished goods	1,337,191	1,403,963
Work in process	71,509	84,624
Raw materials and supplies	413,840	568,431
Other	732,931	1,685,818
Allowance for doubtful accounts	(158,444)	(147,435)
Total current assets	24,103,209	23,098,708
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,270,412	2,107,190
Machinery, equipment and vehicles, net	547,993	479,833
Tools, furniture and fixtures, net	524,208	446,430
Land	522,824	522,824
Leased assets, net	75,782	68,138
Construction in progress	520,135	1,385,355
Total property, plant and equipment	4,461,355	5,009,772
Intangible assets		
Goodwill	597	-
Other	44,078	40,560
Total intangible assets	44,676	40,560
Investments and other assets		
Investment securities	2,326,500	2,088,661
Deferred tax assets	780,331	490,254
Other	458,208	441,916
Allowance for doubtful accounts	(0)	-
Total investments and other assets	3,565,040	3,020,832
Total non-current assets	8,071,072	8,071,166
Total assets	32,174,282	31,169,874

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	Third quarter of FY3/20 (As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	963,522	1,095,372
Electronically recorded obligations-operating	1,010,973	909,921
Short-term borrowings	125,936	118,390
Current portion of long-term borrowings	379,115	441,528
Lease obligations	12,010	11,582
Income taxes payable	855,750	367,476
Provision for bonuses	353,088	308,371
Advances received	216,785	144,765
Other	1,017,108	1,262,328
Total current liabilities	4,934,290	4,659,736
Non-current liabilities		
Long-term borrowings	707,979	819,060
Lease obligations	96,815	90,896
Retirement benefit liability	1,575,193	60,231
Deferred tax liabilities	61,300	19,457
Asset retirement obligations	234,389	240,169
Other	81,177	809,030
Total non-current liabilities	2,756,855	2,038,844
Total liabilities	7,691,145	6,698,581
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	24,759,909
Treasury shares	(948,511)	(2,259,669)
Total shareholders' equity	24,103,240	24,893,220
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	248,229	215,203
Foreign currency translation adjustment	119,360	(649,114)
Total accumulated other comprehensive income	367,589	(433,911)
Non-controlling interests	12,306	11,983
Total net assets	24,483,136	24,471,292
Total liabilities and net assets	32,174,282	31,169,874

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

(Thousands of yen)

	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	19,549,500	16,021,398
Cost of sales	8,687,246	6,081,898
Gross profit	10,862,254	9,939,500
Selling, general and administrative expenses		
Salaries and allowances	1,708,598	1,738,191
Bonuses	500,241	507,946
Retirement benefit expenses	105,053	96,046
Depreciation	283,125	301,038
Provision of allowance for doubtful accounts	6,454	4,574
Other	2,799,203	2,590,556
Total selling, general and administrative expenses	5,402,676	5,238,353
Operating profit	5,459,577	4,701,147
Non-operating income		
Interest income	43,685	63,501
Dividend income	34,858	27,745
Subsidy income	20,506	34,215
Rental income from buildings	26,887	34,481
Other	6,865	10,003
Total non-operating income	132,803	169,947
Non-operating expenses		
Interest expenses	16,037	10,363
Foreign exchange losses	25,357	82,226
Share of loss of entities accounted for using equity method	18,371	60,233
Other	10,735	43,185
Total non-operating expenses	70,502	196,009
Ordinary profit	5,521,878	4,675,085
Extraordinary income		
Gain on sales of non-current assets	145	759
Gain on sales of investment securities	37,075	29,209
Gain on liquidation of subsidiaries	12,250	-
Total extraordinary income	49,471	29,969
Extraordinary losses		
Loss on sales of non-current assets	-	306
Loss on retirement of non-current assets	821	11,857
Loss on liquidation of subsidiaries	1,425	-
Impairment loss	-	16,231
Total extraordinary losses	2,247	28,394
Profit before income taxes	5,569,102	4,676,660
Income taxes-current	1,165,088	1,097,581
Income taxes-deferred	424,591	254,885
Total income taxes	1,589,679	1,352,467
Profit	3,979,422	3,324,193
Profit attributable to non-controlling interests	6,580	184
Profit attributable to owners of parent	3,972,841	3,324,008

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

	(Thousands of yen)	
	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Profit	3,979,422	3,324,193
Other comprehensive income		
Valuation difference on available-for-sale securities	(336,693)	(33,026)
Foreign currency translation adjustment	(507,157)	(750,508)
Share of other comprehensive income of entities accounted for using equity method	39,158	(18,317)
Total other comprehensive income	(804,691)	(801,852)
Comprehensive income	3,174,731	2,522,340
Comprehensive income attributable to:		
Owners of parent	3,166,629	2,522,507
Non-controlling interests	8,101	(166)

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

Not applicable.

Significant Changes in Shareholders' Equity

The Company repurchased 550,300 treasury shares based on resolutions at Board of Directors' meetings held on February 4, 2019 and November 1, 2019. As a result, treasury shares increased by 1,311,157 thousand yen during the period under review. The acquisition of these treasury shares and other transactions resulted in the balance of treasury shares of 2,259,669 thousand yen at the end of the period under review.

Segment and Other Information**I. First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 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	15,208,715	4,313,953	19,522,668	26,832	19,549,500	-	19,549,500
Inter-segment sales and transfers	-	-	-	3,797	3,797	(3,797)	-
Total	15,208,715	4,313,953	19,522,668	30,630	19,553,298	(3,797)	19,549,500
Segment profit (loss)	5,998,660	222,619	6,221,279	(43,348)	6,177,930	(718,353)	5,459,577

Notes: 1. The "Other" businesses segment represents business activities that are not included in either 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 nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Inter-segment transaction elimination	-
Corporate expenses*	(718,353)
Total	(718,353)

* 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 nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 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	14,304,322	1,696,473	16,000,795	20,603	16,021,398	-	16,021,398
Inter-segment sales and transfers	457	-	457	-	457	(457)	-
Total	14,304,780	1,696,473	16,001,253	20,603	16,021,856	(457)	16,021,398
Segment profit (loss)	5,548,305	(62,153)	5,486,151	(62,720)	5,423,431	(722,284)	4,701,147

Notes: 1. The “Other” businesses segment represents business activities that are not included in either 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 nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Inter-segment transaction elimination	-
Corporate expenses*	(722,284)
Total	(722,284)

* 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 16,231 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.