



May 8, 2020

## Summary of Financial Results for the Fiscal Year Ended March 31, 2020

[Japanese GAAP]

Company name: JCU CORPORATION Listing: Tokyo Stock Exchange, First Section  
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Scheduled date of Annual General Meeting of Shareholders: June 25, 2020

Scheduled date of filing of Annual Securities Report: June 26, 2020

Scheduled date of payment of dividend: June 11, 2020

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: None

Note: The original disclosure in Japanese was released on May 8, 2020 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, 2020 (April 1, 2019 – March 31, 2020)

(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	%
FY3/20	22,319	(10.2)	6,297	(11.0)	6,240	(13.2)	4,416	(11.0)
FY3/19	24,866	7.6	7,072	1.8	7,192	3.2	4,963	1.2

Note: Comprehensive income (million yen) FY3/20: 4,118 (up 8.8%) FY3/19: 3,786 (down 31.1%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/20	163.97	-	17.7	19.1	28.2
FY3/19	178.55	-	20.9	22.3	28.4

Reference: Equity in earnings of affiliates (million yen) FY3/20: (86) FY3/19: (11)

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	33,039	25,327	76.6	953.89
As of Mar. 31, 2019	32,174	24,483	76.1	895.98

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 25,314 As of Mar. 31, 2019: 24,470

### (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
FY3/20	2,986	(2,578)	(3,275)	8,910
FY3/19	5,030	(2,538)	(2,379)	11,867

## 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	%	%
FY3/19	-	22.50	-	22.50	45.00	1,240	25.2	5.2
FY3/20	-	23.50	-	25.00	48.50	1,298	29.6	5.2
FY3/21 (forecasts)	-	25.00	-	25.00	50.00		29.7	

## 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	10,000	(1.8)	2,550	(12.7)	2,650	(7.6)	1,850	(8.8)	69.71
Full year	22,000	(1.4)	6,400	1.6	6,500	4.2	4,450	0.8	167.68

Note: The above consolidated forecast figures are based on the assumption that the COVID-19 pandemic in the Asian region will mostly subside in July 2020 and onwards and in Japan in October 2020 and onwards.

**\* 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) 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, 2020: 27,856,115 shares As of Mar. 31, 2019: 27,842,470 shares

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

As of Mar. 31, 2020: 1,317,653 shares As of Mar. 31, 2019: 530,653 shares

3) Average number of shares outstanding during the period

FY3/20: 26,932,591 shares FY3/19: 27,800,089 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

(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	%
FY3/20	12,214	(11.3)	1,315	(32.2)	3,928	(13.5)	3,337	14.0
FY3/19	13,776	(1.8)	1,939	(29.7)	4,543	(25.6)	2,927	(42.7)

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/20	123.90	-
FY3/19	105.30	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	24,543	19,075	77.7	718.77
As of Mar. 31, 2019	24,846	19,174	77.2	702.06

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 19,075 As of Mar. 31, 2019: 19,174

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

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## 1. Overview of Results of Operations

### (1) Results of Operations

In the fiscal year ended March 31, 2020 (hereafter, “the fiscal year under review”), the domestic economy remained on a moderate recovery trend with a limited impact of the consumption tax hike on consumer spending. However, in the manufacturing sector, many companies announced downward revisions to financial results due to a decline in overseas demand caused by the prolonged deterioration of the US-China relationship.

In overseas countries, the prolonged US-China trade friction has caused manufacturing operations in China to slow down and accelerated the shift to other Asian countries. International politics remained unstable, represented by the Brexit from the EU, and concerns on economic slowdown are rising due to the stagnation of business activities affected by the COVID-19 pandemic. Amid such uncertainties, a careful attention should be paid to the future development.

As for the business environment surrounding the JCU Group, the sense of economic slowdown has widely spread in China due to mutually imposed higher tariffs triggered by the US-China trade friction. The influence then spread out to South Korea and Taiwan, and finally the automotive industry and the smartphone market turned sluggish, forcing the JCU Group to get off to a very difficult start in the first half of the fiscal year under review. The sales recovered afterwards, but not to the extent of covering the drop in the first half.

There was no material impact of the COVID-19 pandemic on the fiscal year under review.

The results of operations of the JCU Group were as follows.

(Millions of yen, unless otherwise stated)

	FY3/19 (Apr. 1, 2018 - Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 - Mar. 31, 2020)	Year-over-year change (%)
Net sales	24,866	22,319	(10.2)%
Operating profit	7,072	6,297	(11.0)%
Ordinary profit	7,192	6,240	(13.2)%
Profit attributable to owners of parent	4,963	4,416	(11.0)%

The results of segment operations were as follows.

### Chemicals Business

#### Chemicals for electronics industry

China: Business remained solid with the increased demand for PWBs for antennas used in the base stations for 5G (the 5th-generation mobile communication system).

Taiwan: Business remained solid with the increased shipping volume of new and existing models of smartphones.

South Korea: Although semiconductor market was on a recovery trend, business remained weak because inventory adjustment continued and PWB manufacturers withdrew from HDI (high density interconnect) PWB business.

#### Chemicals for decoration

Japan: In the first half of the fiscal year, business remained resilient with the sale of new models of automobiles. However, business weakened substantially in the second half, resulting in a sluggish year for this business.

China: Business remained solid with efforts to expand sales despite a decelerated growth in the number of automobiles sold and slowdown of productions affected by the US-China trade friction and tightened environmental regulations.

(Millions of yen, unless otherwise stated)

(Chemicals Business)	FY3/19 (Apr. 1, 2018 - Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 - Mar. 31, 2020)	Year-over-year change (%)
Net sales	20,034	19,356	(3.4)%
Segment profit (loss)	7,867	7,347	(6.6)%

### Machine Business

Sales substantially decreased due to a lull in investment demand for automotive components and a decrease in large-scale projects.

(Millions of yen, unless otherwise stated)

(Machine Business)	FY3/19 (Apr. 1, 2018 - Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 - Mar. 31, 2020)	Year-over-year change (%)
Net sales	4,796	2,936	(38.8)%
Segment profit (loss)	209	(8)	-
New orders received	2,139	2,840	32.8%
Order backlog	1,258	1,212	(3.7)%

### Other businesses

The Other businesses posted sales of 27 million yen (down 23.4% year over year) with a segment loss of 90 million yen (as compared with a segment loss of 70 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 increased 865 million yen (up 2.7%) from the end of the previous fiscal year to 33,039 million yen.

Current assets increased 146 million yen (up 0.6%) to 24,249 million yen mainly due to increases in notes and accounts receivable-trade and other, which were partially offset by a decrease in cash and deposits.

Non-current assets increased 719 million yen (up 8.9%) to 8,790 million yen mainly due to an increase in property, plant and equipment, which was partially offset by a decrease in investment securities.

#### Liabilities

Total liabilities at the end of the fiscal year under review increased 21 million yen (up 0.3%) from the end of the previous fiscal year to 7,712 million yen.

Current liabilities increased 839 million yen (up 17.0%) to 5,773 million yen mainly due to increases in notes and accounts payable-trade and other.

Non-current liabilities decreased 818 million yen (down 29.7%) to 1,938 million yen mainly due to a decrease in retirement benefit liability, which was partially offset by an increase in other.

#### Net assets

Net assets at the end of the fiscal year under review increased 844 million yen (up 3.4%) from the end of the previous fiscal year to 25,327 million yen.

This was mainly due to an increase in retained earnings, which was partially offset by the purchase of treasury shares and decreases in valuation difference on available-for-sale securities and foreign currency translation adjustment.

**(3) Cash Flows**

Cash and cash equivalents at the end of the fiscal year under review decreased 2,957 million yen (down 24.9%) over the end of the previous fiscal year to 8,910 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 2,043 million yen (down 40.6%) year over year to 2,986 million yen because of a decrease in retirement benefit liability and increases in both trade receivables and trade payables in addition to a decrease of 603 million yen (down 8.8%) in profit before income taxes.

**Cash flows from investing activities**

Net cash used in investing activities increased 40 million yen (up 1.6%) year over year to 2,578 million yen mainly due to a decrease in time deposits and an increase in purchase of property, plant and equipment.

**Cash flows from financing activities**

Net cash used in financing activities increased 895 million yen (up 37.6%) year over year to 3,275 million yen mainly due to an increase in purchase of treasury shares.

**(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 full-scale 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 only slightly.

Under this business environment, we will maintain or increase our market shares by strengthening technical support and by promptly launching new products that meet customers' needs through the development of highly functional plating chemicals compatible with next generation technologies.

Regarding the consolidated forecast for the fiscal year ending March 31, 2021, JCU expects 22,000 million yen in net sales, 6,400 million yen in operating profit, 6,500 million yen in ordinary profit and 4,450 million yen in profit attributable to owners of parent. It should be noted that the above consolidated forecast figures are based on the assumption that the COVID-19 pandemic in the Asian region will mostly subside in July 2020 and onwards and in Japan in October 2020 and onwards. JCU currently forecasts approximately a 10% decrease in net sales and approximately a 15% decrease in operating profit as the impact of the COVID-19 pandemic.

**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)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	14,785,864	12,929,727
Notes and accounts receivable-trade	6,920,316	8,282,863
Merchandise and finished goods	1,337,191	1,563,924
Work in process	71,509	58,190
Raw materials and supplies	413,840	454,653
Other	732,931	1,138,508
Allowance for doubtful accounts	(158,444)	(178,584)
Total current assets	24,103,209	24,249,283
Non-current assets		
Property, plant and equipment		
Buildings and structures	*1 4,037,269	*1 5,319,060
Accumulated depreciation	(1,766,857)	(1,908,800)
Buildings and structures, net	*1 2,270,412	*1 3,410,259
Machinery, equipment and vehicles	*1 2,260,705	*1 2,370,889
Accumulated depreciation	(1,712,712)	(1,780,583)
Machinery, equipment and vehicles, net	*1 547,993	*1 590,305
Tools, furniture and fixtures	*1 2,292,572	*1 2,393,561
Accumulated depreciation	(1,768,363)	(1,917,958)
Tools, furniture and fixtures, net	*1 524,208	*1 475,603
Land	522,824	522,824
Leased assets	185,432	175,759
Accumulated depreciation	(109,649)	(109,831)
Leased assets, net	75,782	65,927
Construction in progress	520,135	571,003
Total property, plant and equipment	4,461,355	5,635,922
Intangible assets		
Goodwill	597	-
Other	44,078	40,537
Total intangible assets	44,676	40,537
Investments and other assets		
Investment securities	*2 2,326,500	*2 1,916,422
Deferred tax assets	780,331	782,095
Other	458,208	415,410
Allowance for doubtful accounts	(0)	-
Total investments and other assets	3,565,040	3,113,928
Total non-current assets	8,071,072	8,790,389
Total assets	32,174,282	33,039,673

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	963,522	1,196,470
Electronically recorded obligations-operating	1,010,973	976,582
Short-term borrowings	125,936	98,738
Current portion of long-term borrowings	379,115	441,528
Lease obligations	12,010	11,716
Income taxes payable	855,750	807,338
Provision for bonuses	353,088	419,314
Advances received	216,785	108,266
Other	1,017,108	1,713,992
<b>Total current liabilities</b>	<b>4,934,290</b>	<b>5,773,947</b>
<b>Non-current liabilities</b>		
Long-term borrowings	707,979	706,678
Lease obligations	96,815	87,922
Retirement benefit liability	1,575,193	67,233
Deferred tax liabilities	61,300	28,038
Asset retirement obligations	234,389	242,321
Other	81,177	806,249
<b>Total non-current liabilities</b>	<b>2,756,855</b>	<b>1,938,443</b>
<b>Total liabilities</b>	<b>7,691,145</b>	<b>7,712,391</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	1,206,723	1,220,259
Capital surplus	1,159,198	1,172,720
Retained earnings	22,685,830	25,851,911
Treasury shares	(948,511)	(2,999,938)
<b>Total shareholders' equity</b>	<b>24,103,240</b>	<b>25,244,952</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	248,229	83,987
Foreign currency translation adjustment	119,360	(14,229)
<b>Total accumulated other comprehensive income</b>	<b>367,589</b>	<b>69,758</b>
<b>Non-controlling interests</b>	<b>12,306</b>	<b>12,570</b>
<b>Total net assets</b>	<b>24,483,136</b>	<b>25,327,281</b>
<b>Total liabilities and net assets</b>	<b>32,174,282</b>	<b>33,039,673</b>



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

	(Thousands of yen)	
	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	24,866,260	22,319,828
Cost of sales	10,632,402	8,900,567
Gross profit	14,233,857	13,419,260
Selling, general and administrative expenses		
Salaries and allowances	2,259,392	2,321,403
Bonuses	655,408	672,431
Retirement benefit expenses	114,972	128,674
Depreciation	391,227	407,841
Provision of allowance for doubtful accounts	-	35,887
Other	3,740,519	3,555,907
Total selling, general and administrative expenses	*1 7,161,521	*1 7,122,145
Operating profit	7,072,336	6,297,115
Non-operating income		
Interest income	83,787	92,926
Dividend income	36,814	29,539
Subsidy income	20,348	34,005
Rental income from buildings	34,935	41,165
Other	15,041	16,940
Total non-operating income	190,926	214,577
Non-operating expenses		
Interest expenses	20,996	13,573
Foreign exchange losses	16,101	107,524
Share of loss of entities accounted for using equity method	11,710	86,004
Commission for purchase of treasury shares	5,690	39,360
Other	15,973	24,543
Total non-operating expenses	70,472	271,006
Ordinary profit	7,192,790	6,240,685
Extraordinary income		
Gain on change in equity	-	412
Gain on sales of non-current assets	*2 144	*2 758
Gain on sales of investment securities	37,075	29,209
Gain on liquidation of subsidiaries	12,250	-
Total extraordinary income	49,470	30,380
Extraordinary losses		
Loss on sales of non-current assets	*3 5,751	*3 317
Loss on retirement of non-current assets	*4 2,363	*4 15,101
Impairment loss	*5 -	*5 16,162
Loss on liquidation of subsidiaries	1,425	-
Loss on transition of retirement benefit plan	389,836	-
Total extraordinary losses	399,376	31,581
Profit before income taxes	6,842,884	6,239,485
Income taxes-current	1,821,682	1,786,550
Income taxes-deferred	49,059	36,903
Total income taxes	1,870,742	1,823,454
Profit	4,972,141	4,416,031
Profit attributable to non-controlling interests	8,546	21
Profit attributable to owners of parent	4,963,594	4,416,010

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Profit	4,972,141	4,416,031
Other comprehensive income		
Valuation difference on available-for-sale securities	(261,764)	(164,241)
Foreign currency translation adjustment	(910,970)	(153,799)
Share of other comprehensive income of entities accounted for using equity method	(12,689)	20,609
Total other comprehensive income	* (1,185,424)	* (297,431)
Comprehensive income	3,786,716	4,118,599
Comprehensive income attributable to:		
Owners of parent	3,780,243	4,118,179
Non-controlling interests	6,473	420

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	1,191,575	1,138,544	19,044,487	-	21,374,607
Changes 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 during period	15,147	20,654	3,641,342	(948,511)	2,728,632
Balance at the end of 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 period	509,994	1,040,946	1,550,941	70,531	22,996,079
Changes 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 during period	(261,764)	(921,586)	(1,183,351)	(58,224)	1,487,056
Balance at the end of period	248,229	119,360	367,589	12,306	24,483,136

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	1,206,723	1,159,198	22,685,830	(948,511)	24,103,240
Changes during period					
Issuance of new shares	13,535	13,522			27,058
Dividends of surplus			(1,249,929)		(1,249,929)
Profit attributable to owners of parent			4,416,010		4,416,010
Change in ownership interest of parent due to transactions with non-controlling interests					-
Purchase of treasury shares				(2,051,426)	(2,051,426)
Net changes of items other than shareholders' equity					-
Total changes during period	13,535	13,522	3,166,080	(2,051,426)	1,141,712
Balance at the end of period	1,220,259	1,172,720	25,851,911	(2,999,938)	25,244,952

	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 period	248,229	119,360	367,589	12,306	24,483,136
Changes during period					
Issuance of new shares			-		27,058
Dividends of surplus			-		(1,249,929)
Profit attributable to owners of parent			-		4,416,010
Change in ownership interest of parent due to transactions with non-controlling interests			-		-
Purchase of treasury shares			-		(2,051,426)
Net changes of items other than shareholders' equity	(164,241)	(133,589)	(297,831)	264	(297,566)
Total changes during period	(164,241)	(133,589)	(297,831)	264	844,145
Balance at the end of period	83,987	(14,229)	69,758	12,570	25,327,281

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

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	6,842,884	6,239,485
Depreciation	586,760	586,684
Impairment loss	-	16,162
Amortization of goodwill	1,217	600
Increase (decrease) in allowance for doubtful accounts	(9,638)	24,026
Increase (decrease) in provision for bonuses	187	66,175
Increase (decrease) in retirement benefit liability	439,971	(1,506,862)
Interest and dividend income	(120,601)	(122,465)
Interest expenses	20,996	13,573
Foreign exchange losses (gains)	(12,875)	(870)
Share of loss (profit) of entities accounted for using equity method	11,710	86,004
Gain on sales of non-current assets	(144)	(758)
Loss on sales of non-current assets	5,751	317
Loss on retirement of non-current assets	2,363	15,101
Loss (gain) on sales of investment securities	(37,075)	(29,209)
Decrease (increase) in trade receivables	189,470	(1,457,613)
Increase (decrease) in advances received	(443,739)	(108,610)
Decrease (increase) in inventories	80,402	(276,716)
Increase (decrease) in trade payables	(1,295,064)	339,666
Decrease (increase) advance payments-trade	613,617	(49,899)
Other, net	(50,728)	954,633
Subtotal	6,825,465	4,789,423
Interest and dividends received	103,943	122,239
Interest paid	(20,505)	(13,574)
Income taxes paid	(1,880,651)	(1,915,742)
Income taxes refund	2,426	4,645
Net cash provided by (used in) operating activities	5,030,678	2,986,991
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,698,002)	(1,092,498)
Purchase of property, plant and equipment	(874,959)	(1,602,532)
Proceeds from sales of property, plant and equipment	896	1,260
Purchase of intangible assets	(17,781)	(16,068)
Purchase of investment securities	(50,877)	(892)
Proceeds from sales of investment securities	129,656	120,359
Other, net	(27,650)	11,439
Net cash provided by (used in) investing activities	(2,538,718)	(2,578,933)

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(43,690)	(23,763)
Proceeds from long-term borrowings	500,000	500,000
Repayments of long-term borrowings	(477,473)	(438,888)
Repayments of finance lease obligations	(15,118)	(12,115)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(65,202)	-
Purchase of treasury shares	(948,511)	(2,051,426)
Dividends paid	(1,321,344)	(1,249,016)
Dividends paid to non-controlling interests	(5,784)	(151)
Other, net	(2,654)	(98)
Net cash provided by (used in) financing activities	(2,379,778)	(3,275,460)
Effect of exchange rate change on cash and cash equivalents	(479,169)	(90,383)
Net increase (decrease) in cash and cash equivalents	(366,988)	(2,957,786)
Cash and cash equivalents at beginning of period	12,234,917	11,867,928
Cash and cash equivalents at end of period	* 11,867,928	* 8,910,142

## (5) Notes to 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

#### 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:	2 - 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. Provision 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 some of its consolidated subsidiaries have adopted the defined contribution pension plan.

In addition, some of 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.

## Reclassification

(Consolidated statement of income)

“Commission for purchase of treasury shares,” which was included in “Other” in “Non-operating expenses” is separately presented from the fiscal year under review as it accounted for more than 10% of the total amount of non-operating expenses. Accordingly, the consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation method.

As a result, 21,663 thousand yen that was presented as “Other” in “Non-operating expenses” in the consolidated statement of income for the previous fiscal year has been reclassified as 5,690 thousand yen of “Commission for purchase of treasury shares” and 15,973 thousand yen of “Other.”

**Deferred Tax Accounting**

## 1. Details of the causes for deferred tax assets and deferred tax liabilities (Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Deferred tax assets		
Reserve for bonuses denied	106,838	128,052
Retirement benefit liability denied	477,132	13,960
Accounts payable due to transition to defined contribution pension plan	-	336,487
Long-term accounts payable -other denied	26,418	25,605
Share-based remuneration expenses denied	15,291	20,200
Depreciation in excess of tax allowance	38,946	33,315
Loss on valuation of investment securities denied	39,665	39,962
Asset retirement obligations	65,737	67,596
Impairment loss on non-current assets denied	1,996	2,879
Consolidated intra-company profit elimination	235,285	232,452
Temporary difference related to investment in consolidated subsidiary	134,920	196,370
Other	231,359	245,418
Deferred tax assets -subtotal	1,373,592	1,342,301
Valuation allowance (Note)	(141,150)	(199,562)
Deferred tax assets -total	1,232,442	1,142,739
Deferred tax liabilities		
Reserve for reduction entry	124,612	120,149
Reserve for special depreciation	42,650	28,433
Disposal costs for asset retirement obligations	33,140	31,623
Valuation difference on available-for-sale securities	103,464	31,445
Other	209,543	177,030
Deferred tax liabilities -total	513,411	388,681
Deferred tax assets (liabilities) -net	719,031	754,057

Note: Valuation allowance increased by 58,411 thousand yen mainly because the consolidated subsidiaries JCU INTERNATIONAL, INC. and JCU Surface Technology Hubei Co., Ltd additionally recognized valuation allowance for tax loss carryforward in the amounts of 28,737 thousand yen and 19,137 thousand yen, respectively.

## 2. Significant components of difference between statutory and effective tax rates (%)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Statutory tax rate	30.62	30.62
(Adjustments)		
Permanent differences such as entertainment expenses	0.38	0.42
Valuation allowance	0.95	1.54
Income taxes refund	(1.14)	(1.52)
Per capita residential tax	0.13	0.15
Difference in tax rate of overseas subsidiaries	(8.70)	(8.40)
Foreign withholding taxes for dividends from overseas Subsidiaries	2.76	3.41
Other	2.34	3.00
Effective tax rate after tax effect accounting	27.34	29.22

## 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.

#### (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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

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

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on consolidated statements of income (Note 4)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	19,356,597	2,936,086	22,292,684	27,144	22,319,828	-	22,319,828
Inter-segment sales and transfers	456	-	-	-	456	(456)	-
Total	19,357,054	2,936,086	22,293,140	27,144	22,320,285	(456)	22,319,828
Segment profit (loss)	7,347,938	(8,214)	7,339,724	(90,684)	7,249,039	(951,924)	6,297,115
Other items							
Depreciation expense (Note 3)	531,700	10,498	542,198	26,854	569,053	17,631	586,684

- 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)

	FY3/19	FY3/20
Corporate expenses*	(934,302)	(951,924)

\* 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.