



August 4, 2020

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (Three Months Ended June 30, 2020)

[Japanese GAAP]

Company name: JCU CORPORATION Listing: Tokyo Stock Exchange, First Section
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Scheduled date of filing of Quarterly Report: August 6, 2020

Scheduled date of payment of dividend: -

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 August 4, 2020 at 15:00. (GMT +9).

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020 – June 30, 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	%
Three months ended Jun. 30, 2020	4,921	2.7	1,377	7.7	1,422	10.1	972	7.1
Three months ended Jun. 30, 2019	4,793	(27.4)	1,278	(25.9)	1,292	(25.7)	908	(29.5)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2020: 269 (down 72.6%)
 Three months ended Jun. 30, 2019: 986 (up 40.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2020	36.66	-
Three months ended Jun. 30, 2019	33.49	-

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Jun. 30, 2020	31,130		24,911		80.0	
As of Mar. 31, 2020	33,039		25,327		76.6	

Reference: Shareholders' equity (million yen) As of Jun. 30, 2020: 24,911 As of Mar. 31, 2020: 25,314

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/20	-	23.50	-	25.00	48.50
FY3/21	-	-	-	-	-
FY3/21 (forecasts)	-	25.00	-	25.00	50.00

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

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)	69.70
Full year	22,000	(1.4)	6,400	1.6	6,500	4.2	4,450	0.8	167.64

Note 1: Revisions to the most recently announced consolidated forecast: None

Note 2: Although the global spread of the COVID-19 infections, which is not contained yet, will continue to affect the business activities and the performance of the Group, it is difficult to reasonably estimate the impact as of the filing date of this report. Therefore, we have left the first half and the full-year consolidated forecasts for the fiscal year ending March 31, 2021 unchanged from the forecasts announced on May 8, 2020 in the "Summary of Financial Results for Fiscal Year ended March 31, 2020."

*** 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 Jun. 30, 2020:	27,856,115 shares	As of Mar. 31, 2020:	27,856,115 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2020:	1,317,689 shares	As of Mar. 31, 2020:	1,317,653 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2020:	26,538,444 shares	Three months ended Jun. 30, 2019:	27,121,618 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 quarter of the fiscal year ending March 31, 2021 (hereafter, “the period under review”), the moderate recovery trend of the domestic economy from the previous period was paused due to the shrinkage of the economy hit by the spread of COVID-19 infections. The request for avoiding non-essential and non-urgent outing in response to the declaration of the state of emergency caused consumption to plunge and capital investment to slow. In addition, the export dropped substantially following the deterioration of overseas economies.

In overseas countries, demand for consumption drastically slowed down affected strongly by the restrictions on economic activities worldwide due to the spread of COVID-19 infections, in addition to the economic stagnation caused by the prolonged US-China trade friction. In China, manufacturers gradually resumed production by March this year, but the situation remains unpredictable due to the unforeseeable timing of containment of the COVID-19 pandemic at home and abroad and growing concern over a second wave of infections.

As for the business environment surrounding the JCU Group, the progress toward the commercialization of the 5G mobile communication system contributed to an increase in demand for PWBs used for its infrastructures such as base stations and data centers, high-performance electronic devices and semiconductor package substrates. However, demand from the automotive industry and smartphone market remained sluggish due to the US-China trade friction and the spread of COVID-19 infections.

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

	(Millions of yen, unless otherwise stated)		
	Previous period (Apr. 1, 2019 – Jun. 30, 2019)	Current period (Apr. 1, 2020 – Jun. 30, 2020)	Year-over-year % change
Net sales	4,793	4,921	Up 2.7%
Operating profit	1,278	1,377	Up 7.7%
Ordinary profit	1,292	1,422	Up 10.1%
Profit attributable to owners of parent	908	972	Up 7.1%

The results of operations by segment 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 the 5G mobile communication system and PWBs for surveillance cameras compliant with 5G, making up for the negative impact of tentative decline in factory utilization rate due to the extension of the Chinese New Year holidays as a countermeasure against the COVID-19 pandemic.
- Taiwan: Business remained strong with the increased demand for PWBs for high-performance electronic devices such as tablets and smartwatches, and semiconductor package substrates for servers.
- Korea: Although the semiconductor market was on a recovery trend, business remained weak overall because the recovery trend was not strong enough to offset the decline driven by the withdrawal of some PWB manufacturers from the HDI (high density interconnect) substrate business.

Chemicals for decoration

- Japan: Business saw a significant decline affected by countermeasures against the COVID-19 pandemic such as the suspension of factory operation and the restriction on sales activities.
- China: Business saw a significant decline affected by lower factory utilization rate due to the extension of the Chinese New Year holidays as a countermeasure against the COVID-19 pandemic, in addition to a slow down in sales volume and production in the automotive industry driven by the US-China trade friction and stricter environmental regulations.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2019 – Jun. 30, 2019)	Current period (Apr. 1, 2020 – Jun. 30, 2020)	Year-over-year % change
Net sales	4,417	4,375	Down 0.9%
Segment profit	1,620	1,592	Down 1.7%

Machine Business

The amount of orders received 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)

	Previous period (Apr. 1, 2019 – Jun. 30, 2019)	Current period (Apr. 1, 2020 – Jun. 30, 2020)	Year-over-year % change
Net sales	366	543	Up 48.1%
Segment profit (loss)	(52)	15	-
Orders received	862	224	Down 74.0%
Order backlog	1,773	909	Down 48.7%

Other businesses

The Other businesses posted sales of 3 million yen (down 63.9% year over year) with a segment loss of 18 million yen (as compared with a segment loss of 15 million yen a year earlier).

(2) Explanation of Financial Position**Assets**

Total assets at the end of the period under review decreased 1,909 million yen (down 5.8%) from the end of the previous fiscal year to 31,130 million yen.

Current assets decreased 1,499 million yen (down 6.2%) to 22,750 million yen mainly due to a decrease in notes and accounts receivable-trade.

Non-current assets decreased 409 million yen (down 4.7%) to 8,380 million yen mainly due to decreases in investment securities and deferred tax assets.

Liabilities

Total liabilities at the end of the period under review decreased 1,493 million yen (down 19.4%) from the end of the previous fiscal year to 6,218 million yen.

Current liabilities decreased 1,016 million yen (down 17.6%) to 4,757 million yen mainly due to decreases in notes and accounts payable-trade, income taxes payable as a result of the payment of income taxes, and provision for bonuses.

Non-current liabilities decreased 477 million yen (down 24.6%) to 1,461 million yen mainly due to a decrease in long-term accounts payable-other included in “other” as a result of payment for transition to a defined contribution plan.

Net assets

Net assets at the end of the period under review decreased 415 million yen (down 1.6%) from the end of the previous fiscal year to 24,911 million yen. This was due to decreases in retained earnings as a result of payment of cash dividends and 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

In overseas markets in the medium term, we expect that sales of chemicals for PWBs will recover gradually toward the advent of the 5G mobile communication system and sales of chemicals for automotive sector will remain solid. On the other hand, sales of chemicals are expected to increase only slightly in the domestic market.

Under this business environment, we will maintain and increase our existing market share by strengthening technical support and accelerating the launch of new products that meet our customers' needs such as the development of highly functional chemicals compatible with next generation technologies.

Although the global spread of the COVID-19 infections, which is not contained yet, will continue to affect the business activities and the performance of the Group, it is difficult to reasonably estimate the impact as of the filing date of this report. Therefore, we have left the first half and the full-year consolidated forecasts for the fiscal year ending March 31, 2021 unchanged from the forecasts announced on May 8, 2020 in the "Summary of Financial Results for Fiscal Year ended March 31, 2020."

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

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	12,929,727	12,806,222
Notes and accounts receivable-trade	8,282,863	7,055,815
Merchandise and finished goods	1,563,924	1,701,493
Work in process	58,190	84,635
Raw materials and supplies	454,653	429,695
Other	1,138,508	821,763
Allowance for doubtful accounts	(178,584)	(149,554)
Total current assets	24,249,283	22,750,070
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,410,259	3,421,472
Machinery, equipment and vehicles, net	590,305	718,896
Tools, furniture and fixtures, net	475,603	476,036
Land	522,824	522,824
Leased assets, net	65,927	63,705
Construction in progress	571,003	311,592
Total property, plant and equipment	5,635,922	5,514,526
Intangible assets		
Other	40,537	36,645
Total intangible assets	40,537	36,645
Investments and other assets		
Investment securities	1,916,422	1,774,959
Deferred tax assets	782,095	651,673
Other	415,410	402,721
Total investments and other assets	3,113,928	2,829,355
Total non-current assets	8,790,389	8,380,527
Total assets	33,039,673	31,130,597

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,196,470	836,489
Electronically recorded obligations-operating	976,582	951,356
Short-term borrowings	98,738	97,147
Current portion of long-term borrowings	441,528	441,528
Lease obligations	11,716	11,844
Income taxes payable	807,338	566,020
Provision for bonuses	419,314	207,652
Advances received	108,266	140,568
Other	1,713,992	1,504,582
Total current liabilities	5,773,947	4,757,188
Non-current liabilities		
Long-term borrowings	706,678	596,296
Lease obligations	87,922	84,910
Retirement benefit liability	67,233	67,486
Deferred tax liabilities	28,038	34,249
Asset retirement obligations	242,321	241,817
Other	806,249	436,651
Total non-current liabilities	1,938,443	1,461,411
Total liabilities	7,712,391	6,218,599
Net assets		
Shareholders' equity		
Share capital	1,220,259	1,220,259
Capital surplus	1,172,720	1,161,722
Retained earnings	25,851,911	26,161,237
Treasury shares	(2,999,938)	(3,000,046)
Total shareholders' equity	25,244,952	25,543,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83,987	96,094
Foreign currency translation adjustment	(14,229)	(727,269)
Total accumulated other comprehensive income	69,758	(631,175)
Non-controlling interests	12,570	-
Total net assets	25,327,281	24,911,997
Total liabilities and net assets	33,039,673	31,130,597

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

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	4,793,104	4,921,668
Cost of sales	1,776,848	1,952,403
Gross profit	3,016,256	2,969,265
Selling, general and administrative expenses		
Salaries and allowances	572,731	582,495
Bonuses	169,786	172,922
Retirement benefit expenses	33,174	33,959
Depreciation	97,483	105,715
Other	864,157	696,223
Total selling, general and administrative expenses	1,737,332	1,591,317
Operating profit	1,278,923	1,377,948
Non-operating income		
Interest income	23,576	18,173
Dividend income	17,269	16,499
Subsidy income	29,759	28,454
Reversal of allowance for doubtful accounts	8,320	24,102
Other	11,104	8,443
Total non-operating income	90,030	95,673
Non-operating expenses		
Interest expenses	3,825	2,532
Foreign exchange losses	34,456	21,036
Share of loss of entities accounted for using equity method	17,373	23,014
Commission for purchase of treasury shares	20,449	-
Other	607	4,226
Total non-operating expenses	76,712	50,810
Ordinary profit	1,292,242	1,422,811
Extraordinary income		
Gain on sales of non-current assets	619	1,574
Gain on sales of investment securities	16,916	-
Total extraordinary income	17,536	1,574
Extraordinary losses		
Loss on retirement of non-current assets	1,584	257
Total extraordinary losses	1,584	257
Profit before income taxes	1,308,194	1,424,128
Income taxes-current	281,546	324,317
Income taxes-deferred	118,003	126,169
Total income taxes	399,550	450,486
Profit	908,644	973,642
Profit attributable to non-controlling interests	275	854
Profit attributable to owners of parent	908,369	972,788

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

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Profit	908,644	973,642
Other comprehensive income		
Valuation difference on available-for-sale securities	(93,818)	12,106
Foreign currency translation adjustment	159,040	(579,853)
Share of other comprehensive income of entities accounted for using equity method	12,709	(136,042)
Total other comprehensive income	77,931	(703,788)
Comprehensive income	986,575	269,853
Comprehensive income attributable to:		
Owners of parent	986,077	271,854
Non-controlling interests	498	(2,000)

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

Not applicable.

Significant Changes in Shareholders' Equity

I. First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

Amount of cash dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on May 24, 2019	Common stock	614,515	22.50	March 31, 2019	June 10, 2019	Retained earnings

II. First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)

Amount of cash dividends paid

Resolution	Type of shares	Total amount of dividends (Thousands of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on May 26, 2020	Common stock	663,461	25.00	March 31, 2020	June 11, 2020	Retained earnings

Segment and Other Information

I. First three months of FY3/20 (Apr. 1, 2019 – Jun. 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	4,417,245	366,761	4,784,006	9,097	4,793,104	-	4,793,104
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	4,417,245	366,761	4,784,006	9,097	4,793,104	-	4,793,104
Segment profit (loss)	1,620,676	(52,179)	1,568,496	(15,829)	1,552,667	(273,743)	1,278,923

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 three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Inter-segment transaction elimination	-
Corporate expenses*	(273,743)
Total	(273,743)

* 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 three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)

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	4,375,325	543,058	4,918,384	3,284	4,921,668	-	4,921,668
Inter-segment sales and transfers	-	1,554	1,554	-	1,554	(1,554)	-
Total	4,375,325	544,612	4,919,938	3,284	4,923,222	(1,554)	4,921,668
Segment profit (loss)	1,592,834	15,437	1,608,272	(18,275)	1,589,996	(212,047)	1,377,948

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 three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Inter-segment transaction elimination	-
Corporate expenses*	(212,047)
Total	(212,047)

* 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.

* 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.