



November 7, 2023

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024 (Six Months Ended September 30, 2023)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: November 10, 2023
 Scheduled date of payment of dividend: December 4, 2023
 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 7, 2023 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, 2023

(April 1, 2023–September 30, 2023)

(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, 2023	10,864	(17.2)	3,095	(33.9)	3,202	(32.2)	2,177	(34.5)
Six months ended Sep. 30, 2022	13,117	12.6	4,680	7.6	4,720	6.6	3,326	8.1

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2023: 3,678 (down 36.4%)
 Six months ended Sep. 30, 2022: 5,782 (up 33.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2023	85.04	–
Six months ended Sep. 30, 2022	128.26	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2023	45,448	40,308	88.7
As of Mar. 31, 2023	44,901	37,861	84.3

Reference: Shareholders' equity (million yen) As of Sep. 30, 2023: 40,308 As of Mar. 31, 2023: 37,861

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/23	–	33.00	–	33.00	66.00
FY3/24	–	35.00	–	–	–
FY3/24 (forecasts)	–	–	–	35.00	70.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023–March 31, 2024)

(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	25,000	(7.9)	7,000	(24.6)	7,000	(25.3)	4,800	(20.2)	187.81

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 issued at the end of the period (including treasury shares)

As of Sep. 30, 2023:	27,242,106 shares	As of Mar. 31, 2023:	27,235,477 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2023:	1,734,170 shares	As of Mar. 31, 2023:	1,608,529 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2023:	25,607,942 shares	Six months ended Sep. 30, 2022:	25,934,718 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 six months of the fiscal year ending March 31, 2024 (hereinafter the “period under review”), the domestic economy saw a moderate recovery mainly in the service sector thanks to the normalization of economic activity. The manufacturing sector increased export moderately though impacted by the decelerating overseas economy. Companies maintained a positive stance on their capital investment, increasing capital expenditures both in the manufacturing and non-manufacturing industries.

Overseas, in China, consumer spending recovered thanks to the lifting of its zero-COVID policy. However, production in the manufacturing industry was stagnant, because clearing the order backlog accumulated under the zero-COVID policy ran its course. In Europe and the United States, consumer spending was sluggish due to increased downward pressure on the economy through strong inflationary pressure and monetary tightening, though having been on a recovery trend following the relaxation of activity restrictions. In addition, despite energy supply concerns receded at the moment, resource prices continued to soar, which needs close monitoring on an ongoing basis.

As for the business environment surrounding the JCU Group, the ending of stay-at-home demand during the pandemic and other factors resulted in world-wide sluggish demand for high-performance electronic devices such as smartphones, PCs, and tablets, which caused decreases in demand for PWBs for high-performance electronic devices and semiconductor package substrates. In the automotive industry, we saw increases in automobile production and sales volume in Japan and China, due to the easing of parts shortage.

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

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2022–Sep. 30, 2022)	Current period (Apr. 1, 2023–Sep. 30, 2023)	Year-over-year % change
Net sales	13,117	10,864	Down 17.2%
Segment profit	4,680	3,095	Down 33.9%
Orders received	4,720	3,202	Down 32.2%
Order backlog	3,326	2,177	Down 34.5%

The results of operations by segment were as follows.

Chemicals Business

Chemicals for electronics components

China: Despite a recovery trend in some PWB manufacturers, demand for high-performance electronic devices including smartphones decreased. As a result, sales of chemicals decreased.

Taiwan: Due to a decrease in demand for servers and semiconductor package substrates for high-performance electronic devices, sales of chemicals decreased.

Korea: Due to the semiconductor market remaining sluggish, demand for semiconductor package substrates decreased. As a result, sales of chemicals decreased.

Chemicals for decoration

Japan: The shortages of semiconductors and parts were alleviated, resulting in a recovery trend in automobile production. However, sales of chemicals stayed flat.

China: Despite increases in automobile production and sales volume due to an improvement in shortages of semiconductors and parts, demand for automobile parts which is subject to our business decreased. As a result, sales of chemicals decreased.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2022–Sep. 30, 2022)	Current period (Apr. 1, 2023–Sep. 30, 2023)	Year-over-year % change
Net sales	12,122	9,806	Down 19.1%
Segment profit	5,008	3,467	Down 30.8%

Machine Business

Net sales increased and order backlog substantially increased thanks to the resumption of the projects that had been postponed due to the pandemic and an increase in demand for new investments.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2022–Sep. 30, 2022)	Current period (Apr. 1, 2023–Sep. 30, 2023)	Year-over-year % change
Net sales	995	1,057	Up 6.2%
Segment profit	177	76	Down 56.7%
Orders received	1,844	1,296	Down 29.7%
Order backlog	2,942	4,223	Up 43.5%

Other businesses

The Other businesses posted sales of 0 million yen (down 42.8% year over year) with a segment loss of 8 million yen (as compared with a segment loss of 8 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 increased 547 million yen from the end of the previous fiscal year to 45,448 million yen.

Current assets increased 122 million yen to 36,768 million yen mainly due to increases in cash and deposits, advance payments-trade and prepaid expenses included in other, which were partially offset by decreases in accounts and notes receivable-trade.

Non-current assets increased 424 million yen to 8,680 million yen mainly due to increases in property, plant and equipment and investment securities, which were partially offset by a decrease in deferred tax assets.

Liabilities

Total liabilities at the end of the period under review decreased 1,899 million yen from the end of the previous fiscal year to 5,140 million yen.

Current liabilities decreased 2,036 million yen to 4,127 million yen mainly due to decreases in notes and accounts payable-trade, and income taxes payable.

Non-current liabilities increased 137 million yen to 1,012 million yen due to an increase in deferred tax liabilities, which was partially offset by a decrease in long-term borrowings.

Net assets

Total net assets at the end of the period under review increased 2,446 million yen from the end of the previous fiscal year to 40,308 million yen. This was due to increases in foreign currency translation adjustment and retained earnings from profit attributable to owners of parent.

2) Cash flows

Cash and cash equivalents during the period under review increased 42 million yen from the end of the previous fiscal year to 22,040 million yen.

Cash flows from operating activities

Net cash provided by operating activities decreased 1,658 million yen year over year to 1,616 million yen. This is mainly due to a decrease in profit before income taxes.

Cash flows from investing activities

Net cash used in investing activities increased 723 million yen year over year to 568 million yen. This is mainly due to an increase in expenditures for purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities increased 607 million yen year over year to 1,447 million yen. This is mainly due to purchase of treasury shares and payment of cash dividends.

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

Regarding the future outlook, chemicals demand for decoration of automotive components is expected to pick up slightly in the long run despite the influence of semiconductor and parts shortages. In addition, chemicals demand for the electronics industry is projected to expand mainly in semiconductor package substrates in conjunction with the proliferation of high-performance electronic devices and further technological innovation in the long run despite the temporary influence of the stagnated consumer spending on the demand for high-performance electronic devices such as smartphones, PCs, and tablets.

Given these circumstances, JCU's long-term goal is to become *a global company that continues to grow in a sustainable fashion*. To be more specific, we want to be an enterprise whose business is closely linked with ESG and SDGs and that can thrive in any country. To that end, we formulated a new medium-term management plan called "Next 50 Innovation 2nd" (covering the period from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024) and we are committed to implementing this plan based on a basic policy of *strengthening core businesses* and *building an operational foundation from an ESG perspective*. Regarding the consolidated forecasts for the fiscal year ending March 31, 2024, there are no revisions to the first half and full year forecasts announced on May 11, 2023.

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

(Thousands of yen)

	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	24,180,568	24,530,172
Notes receivable-trade	2,495,072	2,260,631
Accounts receivable-trade	5,572,841	5,230,494
Contract assets	458,682	539,323
Merchandise and finished goods	1,989,142	1,700,216
Work in process	59,469	63,111
Raw materials and supplies	803,745	800,567
Other	1,221,447	1,756,781
Allowance for doubtful accounts	(134,871)	(112,563)
Total current assets	36,646,096	36,768,735
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,443,580	3,519,656
Machinery, equipment and vehicles, net	1,071,183	1,036,056
Tools, furniture and fixtures, net	417,794	464,554
Land	915,500	915,500
Leased assets, net	39,450	35,067
Construction in progress	193,849	304,639
Total property, plant and equipment	6,081,360	6,275,474
Intangible assets		
Other	47,156	45,460
Total intangible assets	47,156	45,460
Investments and other assets		
Investment securities	1,392,752	1,656,712
Deferred tax assets	313,000	272,199
Other	420,987	430,343
Total investments and other assets	2,126,740	2,359,255
Total non-current assets	8,255,257	8,680,189
Total assets	44,901,354	45,448,924

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,497,444	752,316
Electronically recorded obligations-operating	899,895	824,544
Short-term borrowings	502,884	464,459
Current portion of long-term borrowings	251,431	211,857
Lease liabilities	13,111	13,454
Income taxes payable	1,543,045	645,572
Provision for bonuses	471,838	400,743
Other	984,550	814,928
Total current liabilities	6,164,200	4,127,877
Non-current liabilities		
Long-term borrowings	288,427	184,168
Lease liabilities	50,207	43,393
Retirement benefit liability	105,485	121,619
Deferred tax liabilities	136,706	355,837
Asset retirement obligations	259,878	272,829
Other	34,722	34,722
Total non-current liabilities	875,427	1,012,569
Total liabilities	7,039,628	5,140,446
Net assets		
Shareholders' equity		
Share capital	1,255,334	1,266,922
Capital surplus	1,196,783	1,208,364
Retained earnings	36,778,449	38,110,451
Treasury shares	(4,662,889)	(5,072,444)
Total shareholders' equity	34,567,677	35,513,294
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113,982	310,034
Foreign currency translation adjustment	3,180,065	4,485,149
Total accumulated other comprehensive income	3,294,048	4,795,183
Total net assets	37,861,725	40,308,477
Total liabilities and net assets	44,901,354	45,448,924

(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 FY3/23 (Apr. 1, 2022–Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)
Net sales	13,117,946	10,864,394
Cost of sales	4,924,681	4,282,037
Gross profit	8,193,264	6,582,357
Selling, general and administrative expenses		
Salaries and allowances	1,163,294	1,163,642
Bonuses	372,583	329,942
Retirement benefit expenses	63,622	66,791
Depreciation	205,187	221,659
Other	1,708,178	1,704,789
Total selling, general and administrative expenses	3,512,866	3,486,825
Operating profit	4,680,398	3,095,531
Non-operating income		
Interest income	30,279	75,128
Dividend income	22,488	14,294
Foreign exchange gains	362,316	44,662
Reversal of allowance for doubtful accounts	1,028	28,954
Other	11,382	35,202
Total non-operating income	427,495	198,241
Non-operating expenses		
Interest expenses	3,942	3,739
Share of loss of entities accounted for using equity method	376,084	26,821
Compensation expenses	–	33,985
Other	7,311	26,351
Total non-operating expenses	387,338	90,898
Ordinary profit	4,720,555	3,202,874
Extraordinary income		
Gain on change in equity	77,019	–
Gain on sale of non-current assets	3,905	779
Gain on sale of businesses	60,000	–
Total extraordinary income	140,925	779
Extraordinary losses		
Loss on sale of non-current assets	0	93
Loss on retirement of non-current assets	1,078	3,031
Loss on valuation of investment securities	–	656
Total extraordinary losses	1,078	3,781
Profit before income taxes	4,860,401	3,199,873
Income taxes-current	1,123,206	810,574
Income taxes-deferred	410,929	211,606
Total income taxes	1,534,136	1,022,180
Profit	3,326,265	2,177,692
Profit attributable to owners of parent	3,326,265	2,177,692

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

	(Thousands of yen)	
	First six months of FY3/23 (Apr. 1, 2022–Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)
Profit	3,326,265	2,177,692
Other comprehensive income		
Valuation difference on available-for-sale securities	(54,886)	196,051
Foreign currency translation adjustment	2,457,441	1,281,043
Share of other comprehensive income of entities accounted for using equity method	53,653	24,039
Total other comprehensive income	2,456,208	1,501,135
Comprehensive income	5,782,473	3,678,827
Comprehensive income attributable to:		
Owners of parent	5,782,473	3,678,827

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022–Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	4,860,401	3,199,873
Depreciation	319,786	343,881
Increase (decrease) in allowance for doubtful accounts	(1,028)	(28,954)
Increase (decrease) in provision for bonuses	11,200	(74,392)
Increase (decrease) in retirement benefit liability	8,496	9,264
Interest and dividend income	(52,767)	(89,422)
Interest expenses	3,942	3,739
Foreign exchange losses (gains)	63,582	1,641
Share of loss (profit) of entities accounted for using equity method	376,084	26,821
Loss (gain) on change in equity	(77,019)	–
Loss (gain) on sale of non-current assets	(3,905)	(686)
Loss on retirement of non-current assets	1,078	3,031
Loss (gain) on valuation of investment securities	–	656
Decrease (increase) in notes and accounts receivable-trade, and contract assets	(64,615)	858,643
Increase (decrease) in contract liabilities	129,931	21,870
Decrease (increase) in inventories	1,046,914	513,616
Increase (decrease) in trade payables	(1,387,549)	(972,058)
Decrease (increase) in advance payments-trade	(1,148)	(280,454)
Other, net	(329,681)	(261,961)
Subtotal	4,903,702	3,275,110
Interest and dividends received	68,665	90,415
Interest paid	(4,459)	(3,725)
Income taxes paid	(1,699,038)	(1,742,059)
Income taxes refund	6,482	(2,865)
Net cash provided by (used in) operating activities	3,275,352	1,616,874
Cash flows from investing activities		
Decrease (increase) in time deposits	399,895	(185,237)
Purchase of property, plant and equipment	(237,811)	(393,182)
Proceeds from sale of property, plant and equipment	3,905	6,892
Purchase of intangible assets	(10,460)	(2,009)
Purchase of investment securities	(784)	(788)
Other, net	(368)	5,334
Net cash provided by (used in) investing activities	154,376	(568,990)

	(Thousands of yen)	
	First six months of FY3/23 (Apr. 1, 2022–Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	125,742	(41,631)
Repayments of long-term borrowings	(180,934)	(143,833)
Repayments of finance lease obligations	(6,267)	(6,470)
Purchase of treasury shares	–	(409,554)
Dividends paid	(778,165)	(845,974)
Net cash provided by (used in) financing activities	(839,623)	(1,447,464)
Effect of exchange rate change on cash and cash equivalents	1,106,566	442,197
Net increase (decrease) in cash and cash equivalents	3,696,671	42,615
Cash and cash equivalents at beginning of period	16,845,073	21,997,846
Cash and cash equivalents at end of period	20,541,745	22,040,462

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)

The Company repurchased 125,600 treasury shares based on a resolution at the Board of Directors' meeting held on August 3, 2023. As a result, treasury shares increased by 409,407 thousand yen during the period under review. The repurchase of these treasury shares and other transactions resulted in the balance of treasury shares of 5,072,444 thousand yen at the end of the period under review.

Segment Information

I. First six months of FY3/23 (Apr. 1, 2022–Sep. 30, 2022)

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	12,122,005	995,746	13,117,752	194	13,117,946	–	13,117,946
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	12,122,005	995,746	13,117,752	194	13,117,946	–	13,117,946
Segment profit (loss)	5,008,641	177,446	5,186,087	(8,557)	5,177,530	(497,131)	4,680,398

Notes: 1. The "Other" businesses segment represents business activities that are not included in either of the two reportable segments, and includes the cultivation and sale of grapevines for wine production and grape seedlings.

2. Details of the above adjustments to segment profit (loss) are as follows.

To segment profit (loss) (Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022–Sep. 30, 2022)
Inter-segment transaction elimination	–
Corporate expenses*	(497,131)
Total	(497,131)

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

3. Segment profit (loss) is adjusted to be consistent 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 FY3/24 (Apr. 1, 2023–Sep. 30, 2023)

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	9,806,311	1,057,972	10,864,283	111	10,864,394	–	10,864,394
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	9,806,311	1,057,972	10,864,283	111	10,864,394	–	10,864,394
Segment profit (loss)	3,467,067	76,891	3,543,959	(8,567)	3,535,391	(439,860)	3,095,531

Notes: 1. The “Other” businesses segment represents business activities that are not included in either of the two reportable segments, and includes the cultivation and sale of grapevines for wine production and grape seedlings.

2. Details of the above adjustments to segment profit (loss) are as follows.

To segment profit (loss) (Thousands of yen)

	First six months of FY3/24 (Apr. 1, 2023–Sep. 30, 2023)
Inter-segment transaction elimination	–
Corporate expenses*	(439,860)
Total	(439,860)

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

3. Segment profit (loss) is adjusted to be consistent 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.