



February 7, 2024

Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024 (Nine Months Ended December 31, 2023)

[Japanese GAAP]

Company name: JCU CORPORATION Listing: Tokyo Stock Exchange
 Stock code: 4975 URL: <https://www.jcu-i.com/>
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Scheduled date of filing of Quarterly Report: February 13, 2024

Scheduled date of payment of dividend: –

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 7, 2024 at 15:00. (GMT +9).

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023

(April 1, 2023–December 31, 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	%
Nine months ended Dec. 31, 2023	17,212	(16.9)	5,384	(26.5)	5,631	(23.9)	3,746	(27.3)
Nine months ended Dec. 31, 2022	20,702	16.0	7,320	10.5	7,398	9.7	5,154	11.5

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2023: 5,643 (down 26.1%)

Nine months ended Dec. 31, 2022: 7,639 (up 29.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2023	146.69	–
Nine months ended Dec. 31, 2022	198.86	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2023	46,888	40,881	87.2
As of Mar. 31, 2023	44,901	37,861	84.3

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2023: 40,881

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)	188.30

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 issued shares (common stock)

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

As of Dec. 31, 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 Dec. 31, 2023:	1,885,232 shares	As of Mar. 31, 2023:	1,608,529 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2023:	25,542,530 shares	Nine months ended Dec. 31, 2022:	25,918,077 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, 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 mainly for digitization, increasing capital expenditures both in the manufacturing and non-manufacturing industries.

Overseas, in China, consumer spending was stagnant, because rebounding demand ran its course. Also, production in the manufacturing industry was slacked, affected by the decelerating global economy. 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. In addition, due to energy supply concerns, resource prices continued to soar with a global slump in the manufacturing industry, 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 electronic substrates for various high-performance electronic devices such as smartphones and PCs. In the automotive industry, we saw increases in automobile production 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–Dec. 31, 2022)	Current period (Apr. 1, 2023–Dec. 31, 2023)	Year-over-year % change
Net sales	20,702	17,212	Down 16.9%
Segment profit	7,320	5,384	Down 26.5%
Orders received	7,398	5,631	Down 23.9%
Order backlog	5,154	3,746	Down 27.3%

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 stagnated. As a result, sales of chemicals decreased.

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

Korea: Due to the continued slump in the semiconductor market, demand for semiconductor package substrates stagnated. As a result, sales of chemicals decreased.

Chemicals for decoration

Japan: Despite increases in automobile production due to an improvement in shortages of semiconductors and parts, demand for chemicals decreased following to the change in automobile parts structure. As a result, sales of chemicals stayed flat.

China: Despite increases in automobile production 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–Dec. 31, 2022)	Current period (Apr. 1, 2023–Dec. 31, 2023)	Year-over-year % change
Net sales	18,684	15,650	Down 16.2%
Segment profit	7,718	5,955	Down 22.8%

Machine Business

Order backlog increased thanks to an increase in demand for new investments following to the normalization of economic activity.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2022–Dec. 31, 2022)	Current period (Apr. 1, 2023–Dec. 31, 2023)	Year-over-year % change
Net sales	2,018	1,561	Down 22.7%
Segment profit	318	106	Down 66.4%
Orders received	3,748	1,946	Down 48.1%
Order backlog	3,846	4,376	Up 13.8%

Other businesses

The Other businesses posted sales of 0 million yen (down 42.8% year over year) with a segment loss of 13 million yen (as compared with a segment loss of 12 million yen a year earlier).

(2) Explanation of Financial Position

i) Assets, liabilities and net assets

Assets

Total assets at the end of the period under review increased 1,986 million yen from the end of the previous fiscal year to 46,888 million yen.

Current assets increased 1,477 million yen to 38,123 million yen mainly due to increases in cash and deposits, as well as increases in accounts receivable-trade and advance payments-trade included in other.

Non-current assets increased 509 million yen to 8,765 million yen mainly due to increases in tools, furniture and fixtures, net, construction in progress, and investment securities.

Liabilities

Total liabilities at the end of the period under review decreased 1,032 million yen from the end of the previous fiscal year to 6,006 million yen.

Current liabilities decreased 1,072 million yen to 5,091 million yen mainly due to decreases in notes and accounts payable-trade and income taxes payable.

Non-current liabilities increased 39 million yen to 915 million yen mainly 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 3,019 million yen from the end of the previous fiscal year to 40,881 million yen. This was due to increases in foreign currency translation adjustment and retained earnings from profit attributable to owners of parent.

(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 part 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)	Third quarter of FY3/24 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	24,180,568	25,165,722
Notes receivable-trade	2,495,072	2,070,308
Accounts receivable-trade	5,572,841	6,120,212
Contract assets	458,682	679,797
Merchandise and finished goods	1,989,142	1,363,277
Work in process	59,469	93,623
Raw materials and supplies	803,745	851,029
Other	1,221,447	1,883,551
Allowance for doubtful accounts	(134,871)	(104,290)
Total current assets	36,646,096	38,123,231
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,443,580	3,481,368
Machinery, equipment and vehicles, net	1,071,183	1,010,179
Tools, furniture and fixtures, net	417,794	542,388
Land	915,500	915,500
Leased assets, net	39,450	32,875
Construction in progress	193,849	326,093
Total property, plant and equipment	6,081,360	6,308,405
Intangible assets		
Other	47,156	48,009
Total intangible assets	47,156	48,009
Investments and other assets		
Investment securities	1,392,752	1,691,888
Deferred tax assets	313,000	288,539
Other	420,987	428,238
Total investments and other assets	2,126,740	2,408,666
Total non-current assets	8,255,257	8,765,082
Total assets	44,901,354	46,888,314

(Thousands of yen)

	FY3/23 (As of Mar. 31, 2023)	Third quarter of FY3/24 (As of Dec. 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,497,444	1,302,633
Electronically recorded obligations-operating	899,895	988,005
Short-term borrowings	502,884	450,000
Current portion of long-term borrowings	251,431	187,260
Lease liabilities	13,111	13,628
Income taxes payable	1,543,045	653,615
Provision for bonuses	471,838	317,871
Other	984,550	1,178,610
Total current liabilities	6,164,200	5,091,625
Non-current liabilities		
Long-term borrowings	288,427	154,966
Lease liabilities	50,207	39,920
Retirement benefit liability	105,485	122,927
Deferred tax liabilities	136,706	288,463
Asset retirement obligations	259,878	274,288
Other	34,722	34,722
Total non-current liabilities	875,427	915,288
Total liabilities	7,039,628	6,006,913
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	38,786,755
Treasury shares	(4,662,889)	(5,571,669)
Total shareholders' equity	34,567,677	35,690,372
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113,982	336,310
Foreign currency translation adjustment	3,180,065	4,854,717
Total accumulated other comprehensive income	3,294,048	5,191,027
Total net assets	37,861,725	40,881,400
Total liabilities and net assets	44,901,354	46,888,314

(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 FY3/23 (Apr. 1, 2022–Dec. 31, 2022)	First nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 2023)
Net sales	20,702,728	17,212,203
Cost of sales	8,062,337	6,537,591
Gross profit	12,640,391	10,674,612
Selling, general and administrative expenses		
Salaries and allowances	1,763,689	1,749,000
Bonuses	539,055	491,744
Retirement benefit expenses	93,263	96,356
Depreciation	317,287	342,188
Other	2,606,557	2,611,251
Total selling, general and administrative expenses	5,319,852	5,290,542
Operating profit	7,320,538	5,384,070
Non-operating income		
Interest income	48,384	130,262
Dividend income	36,745	28,591
Foreign exchange gains	433,113	133,856
Reversal of allowance for doubtful accounts	1,929	39,441
Other	16,509	36,295
Total non-operating income	536,682	368,447
Non-operating expenses		
Interest expenses	7,098	5,110
Share of loss of entities accounted for using equity method	439,131	37,414
Compensation expenses	–	27,590
Other	12,380	50,794
Total non-operating expenses	458,611	120,910
Ordinary profit	7,398,610	5,631,607
Extraordinary income		
Gain on change in equity	77,019	–
Gain on sale of non-current assets	5,537	1,642
Gain on sale of businesses	60,000	–
Total extraordinary income	142,557	1,642
Extraordinary losses		
Loss on sale of non-current assets	0	94
Loss on retirement of non-current assets	1,666	5,184
Impairment losses	13,766	119,340
Loss on valuation of investment securities	–	663
Total extraordinary losses	15,433	125,283
Profit before income taxes	7,525,734	5,507,966
Income taxes-current	1,828,008	1,649,376
Income taxes-deferred	543,599	111,816
Total income taxes	2,371,607	1,761,193
Profit	5,154,126	3,746,773
Profit attributable to owners of parent	5,154,126	3,746,773

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

	(Thousands of yen)	
	First nine months of FY3/23 (Apr. 1, 2022–Dec. 31, 2022)	First nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 2023)
Profit	5,154,126	3,746,773
Other comprehensive income		
Valuation difference on available-for-sale securities	(51,120)	222,327
Foreign currency translation adjustment	2,455,195	1,649,621
Share of other comprehensive income of entities accounted for using equity method	81,529	25,030
Total other comprehensive income	2,485,604	1,896,979
Comprehensive income	7,639,731	5,643,753
Comprehensive income attributable to:		
Owners of parent	7,639,731	5,643,753

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

Not applicable.

Significant Changes in Shareholders' Equity

First nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 2023)

The Company repurchased 276,600 treasury shares based on a resolution at the Board of Directors' meeting held on August 3, 2023. As a result, treasury shares increased by 908,414 thousand yen during the period under review. The repurchase of these treasury shares and other transactions resulted in the balance of treasury shares of 5,571,669 thousand yen at the end of the period under review.

Segment Information

I. First nine months of FY3/23 (Apr. 1, 2022–Dec. 31, 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	18,684,112	2,018,421	20,702,534	194	20,702,728	–	20,702,728
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	18,684,112	2,018,421	20,702,534	194	20,702,728	–	20,702,728
Segment profit (loss)	7,718,390	318,655	8,037,045	(12,946)	8,024,099	(703,560)	7,320,538

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 nine months of FY3/23 (Apr. 1, 2022–Dec. 31, 2022)
Inter-segment transaction elimination	–
Corporate expenses*	(703,560)
Total	(703,560)

* 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

An impairment loss was recorded in the Machine Business segment. The amount of the impairment loss recognized for the period under review was 13,766 thousand yen.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 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	15,650,901	1,561,191	17,212,092	111	17,212,203	–	17,212,203
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	15,650,901	1,561,191	17,212,092	111	17,212,203	–	17,212,203
Segment profit (loss)	5,955,789	106,956	6,062,745	(13,330)	6,049,415	(665,344)	5,384,070

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 nine months of FY3/24 (Apr. 1, 2023–Dec. 31, 2023)
Inter-segment transaction elimination	–
Corporate expenses*	(665,344)
Total	(665,344)

* 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

An impairment loss was recorded in the Other businesses segment, due to the decision on the withdrawal from the business activities of Sorapuchi Farm Corp., our consolidated subsidiary. The amount of the impairment loss recognized for the period under review was 119,340 thousand yen.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

Material Subsequent Events

Cancellation of treasury shares

The Company made a resolution at the Board of Directors' meeting held on February 7, 2024 concerning the cancellation of treasury shares in accordance with Article 178 of the Companies Act.

1. Reason for cancellation of treasury shares

The Company will cancel treasury shares to implement a flexible capital policy.

2. Summary of the cancellation

(1) Type of shares to be cancelled

Common stock

(2) Number of shares to be cancelled

300,800 shares

(3) Planned date of cancellation

February 29, 2024

** 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.*