

FY3/2022–FY3/2024

Medium-term Management Plan

Next 50 Innovation 2nd



JCU CORPORATION

TSE First Section (Stock Code: 4975)



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I. Corporate Philosophy, CSR Policy, the JCU Spirit

Corporate Philosophy

Explorer in Surface Engineering

Since our inception, we have supported the growth of the automobile, electronics and other industries as a provider of a diverse array of surface treatment technologies originating from our expertise in decorative plating and rust-proof plating.

We are dedicated to using knowledge gained over many years and our R&D capabilities in order to achieve more progress in the field of surface treatment technologies. Our goal is to support manufacturing processes and play a role in enabling people around the world to lead fulfilling lives.

I. Corporate Philosophy, CSR Policy, the JCU Spirit

Corporate Social Responsibility Policy

JCU has a four-part CSR policy for the purpose of contributing to the sustainable progress of our society.

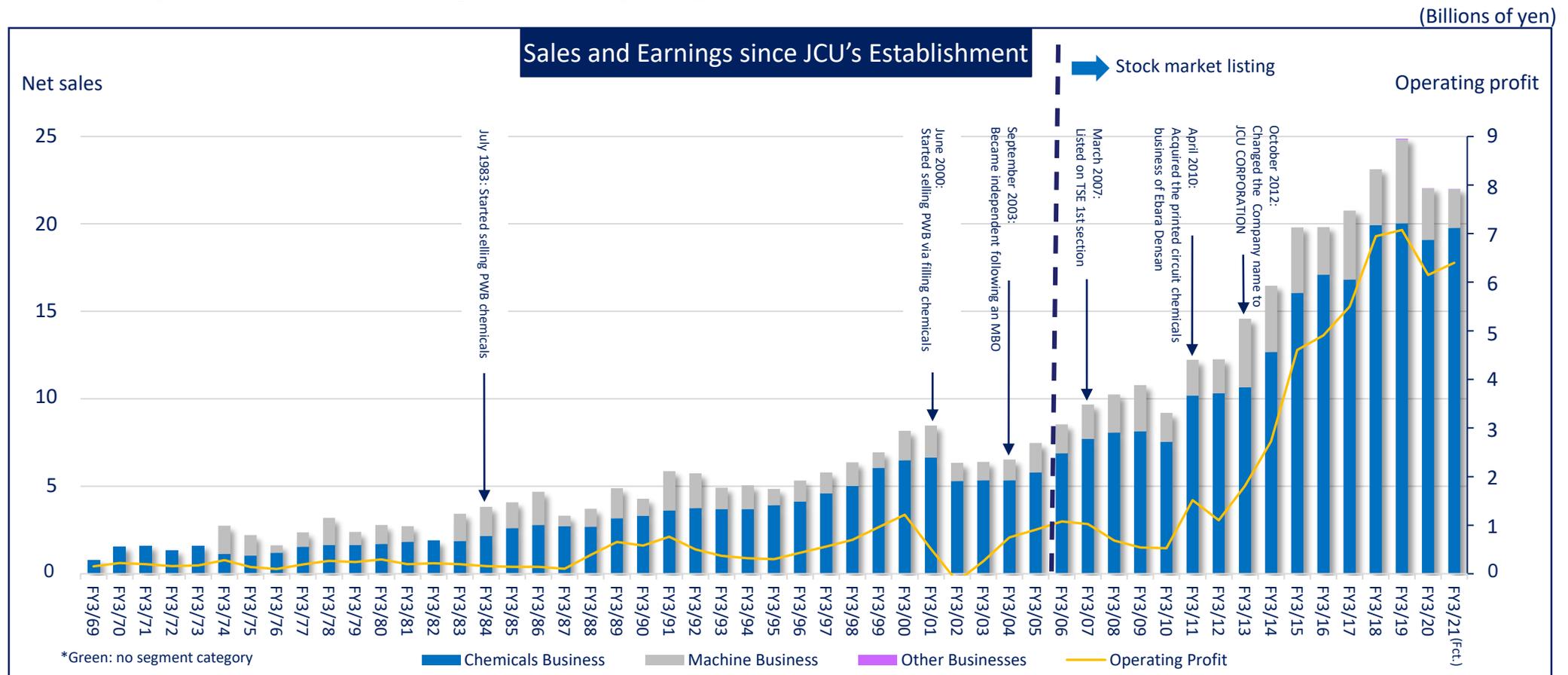
1. Constantly supply better products and services as a company with operations centered on R&D.
2. Comply with legal and social rules and work on meeting even greater demands of society.
3. Maintain relationships rooted in trust by building sound lines of communication with all stakeholders.
4. Conduct all corporate activities with fairness by increasing the transparency of management and fostering workplace environments with openness for information and sharing ideas and opinions

The JCU Spirit

“Enthusiasm and integrity” are the guidelines for performing our jobs. We are always enthusiastic about what we do and we are dedicated to treating others with integrity at all times.

II. The History of JCU

- JCU started operations in 1958 by importing and selling decorative and functional plating chemicals from the U.S. company Udylite Corporation.
- The development and sale of chemicals for the electronics industry started in 1983.
- The development and sale of PWB via filling chemicals started in 2000.
- The speed of overseas growth increased in 2003 following a management buyout.
- Sales and earnings increased rapidly starting in 2013 along with growth of the smartphone market.



III. Five-year Summary

(Millions of yen)

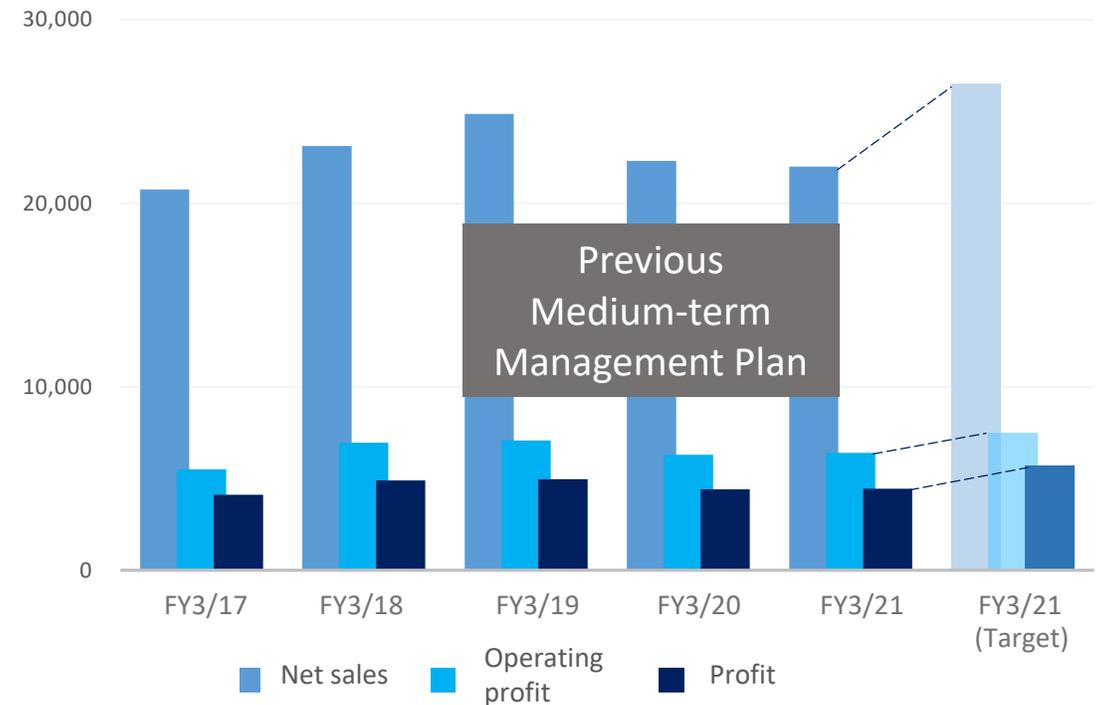
	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Net sales	20,760	23,120	24,866	22,319	21,192
Operating profit	5,500	6,948	7,072	6,297	6,799
Ordinary profit	5,502	6,972	7,192	6,240	6,922
Profit attributable to owners of parent	4,124	4,906	4,963	4,416	4,708

FY3/21 goal is a new product sales ratio of at least 10%



Actual ratio: 9.4%

(Ratio was 3.2% in FY3/17)



Reasons that the FY3/19-FY3/21 medium-term management plan targets were not achieved

- Decrease in smartphone sales volume
- Decrease in automobile sales volume caused by U.S.-China trade friction
- Global economic downturn caused by the COVID-19 pandemic

IV. Assessment of the Previous Medium-term Management Plan

Accomplishments

- Used JCU's global network to reduce vulnerability to changes in market conditions
- Constructed a factory and technical center in Hubei, China
- Increased sales of chemicals for automotive and electronic components in China
- R&D for surface treatment technologies for new materials
- Unified sales activities for chemicals and machinery to automotive component companies
- Established a framework for compliance with laws and regulations

Challenges

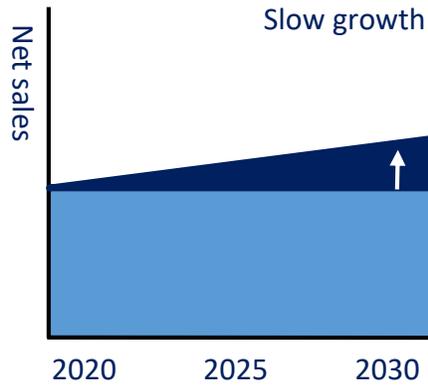
- Improve the ability to collect information about future needs and advanced technologies
- Develop products using a long-term perspective (the environment, resource conservation, etc.)
- Establish sales strategies
- Strengthen training programs
- Build a production infrastructure incorporating the latest technologies
- Develop machinery that fully utilizes the properties of chemicals
- Strengthen compliance systems at group companies

V. The Business Climate

Forecasts		
Automobiles		Growth in China and emerging countries, but only minimal growth worldwide
Smartphones		No growth because the market is saturated
PCs and tablets		Small increase partly because of widespread teleworking
Servers		Demand is increasing, mainly for data center servers
Base stations		Demand is increasing because of 5G investments worldwide
Wearable electronics		Demand is increasing as these devices feature more advanced functions

V. The Business Climate

Plastic plating components



Automotive parts

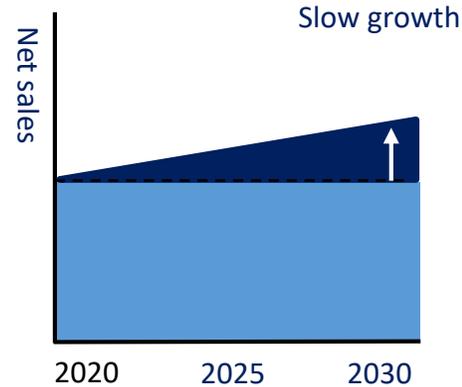


Faucet parts

Summary

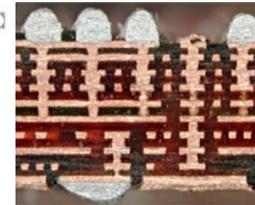
- Long-term outlook for very slow growth in automobile production
- Concerns about decline in plated parts due to different designs as the share of electric vehicles increases
- Electric vehicle market share is expected to be 20%-30% in 2030
- There will be demand for plating suitable for new materials

Build-up boards



An iPhone 12 circuit board

Source: iFixit
<https://jp.ifixit.com/Guide/>

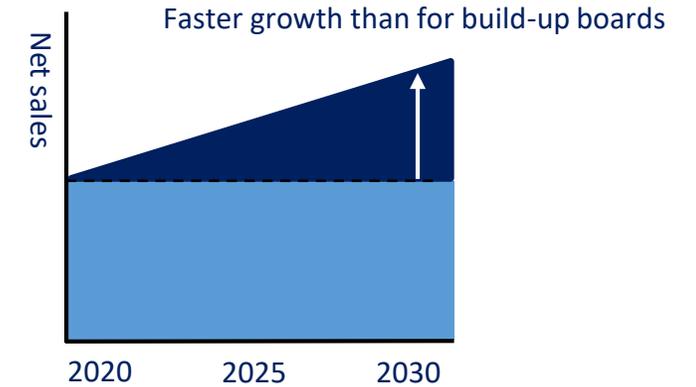


Cross-section of build-up boards

Summary

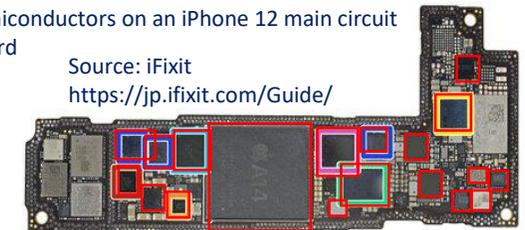
- Flat smartphone production volume as this market advances to the replacement phase
- Small increase in the PC/tablet category due to widespread teleworking
- Growth involving smart watches, AI speakers and other innovations
- There will be demand for thin-film filling

Semiconductor package substrates



Semiconductors on an iPhone 12 main circuit board

Source: iFixit
<https://jp.ifixit.com/Guide/>



Summary

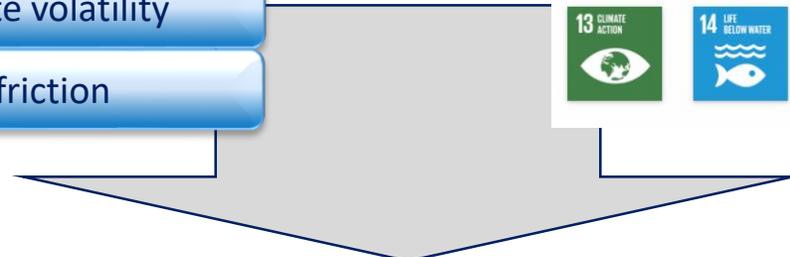
- Long-term growth in the number of semiconductor devices used, mainly for 5G and the IoT and subsequently for 6G
- Increase in modular products
- Concerns about the shift to FO-WLP and FO-PLP
- There will be demand surfaces that are flat, smooth and uniform

V. The Business Climate – Risk and Opportunity



Business climate changes

- Changes in processes due to new technologies
- Environmental regulations/restrictions
- Shift to China+1 manufacturing frameworks
- Foreign exchange rate volatility
- U.S.-China trade friction



Risk factors		
Delays in developing products	Leaks of info about technologies	Occurrence of compliance problem
Environmental regulations/restrictions	Damage to corporate reputation	Geopolitical risk
Opportunities		
Use new technologies to be the industry leader	Use environmental products to contribute to sustainable growth	Strengthen governance for sustained sales and earnings growth
Creation of innovation and business opportunities	Use SDGs activities to increase corporate value	Increase JCU's global market share

VI. Our Vision

A Global Company Capable of Sustained Growth

■ A company capable of sustained growth

Business operations that reflect ESG and the SDGs

- Sell products that match current customer and social needs
- Able to adapt to social changes (social and environmental problems)
- Commitment to regional and social requirements and issues (contributions to equal opportunity employment, regional vitality, economic growth)
- All employees have a sound understanding of and commitment to corporate governance

■ A global company

A company that can succeed anywhere in the world

- A supplier of products that can be sold worldwide and that are needed worldwide
- Business operations that reflect the distinctive cultures and customs of different countries and regions
- Business operations that coexist with host countries and regions and contribute to their economic growth
- A diverse workforce, including in terms of nationality, with understanding and support for their culture and spirit
- Supply products and services of the same high quality everywhere in the world based on a single global corporate philosophy

Actions for becoming a company capable of sustained growth

- 1) Build an infrastructure that can compete and win in the surface treatment industry.
- 2) Be the first to identify the needs of customers and society and develop products that can help solve social problems.
- 3) Upgrade training programs to create a workforce where everyone is a member of a global organization.
- 4) Strengthen corporate governance by giving everyone a sound understanding and commitment to the corporate philosophy and management policies.

1. Fundamental Policies

Next 50 Innovation 2nd

Reinforce Core Businesses

Priorities

Marketing strategy

Product/technology development strategy

Sales strategy

Perform marketing activities as a unified organization. Use information acquired through these activities for determining product/technology and sales strategies in order to make core businesses stronger with the support of cooperation among group companies.

Core businesses: via filling, plating on plastic, machinery

Creating a Management Foundation with Emphasis on ESG

Priority

Employee training programs

Build a base for the management of business operations that can support global growth and adapt to changes in market conditions.

Developing the skills of employees will be essential for accomplishing this goal. In addition, training and education activities must be accompanied by management with a strong commitment to ESG.

2. Performance Targets

(Millions of yen)

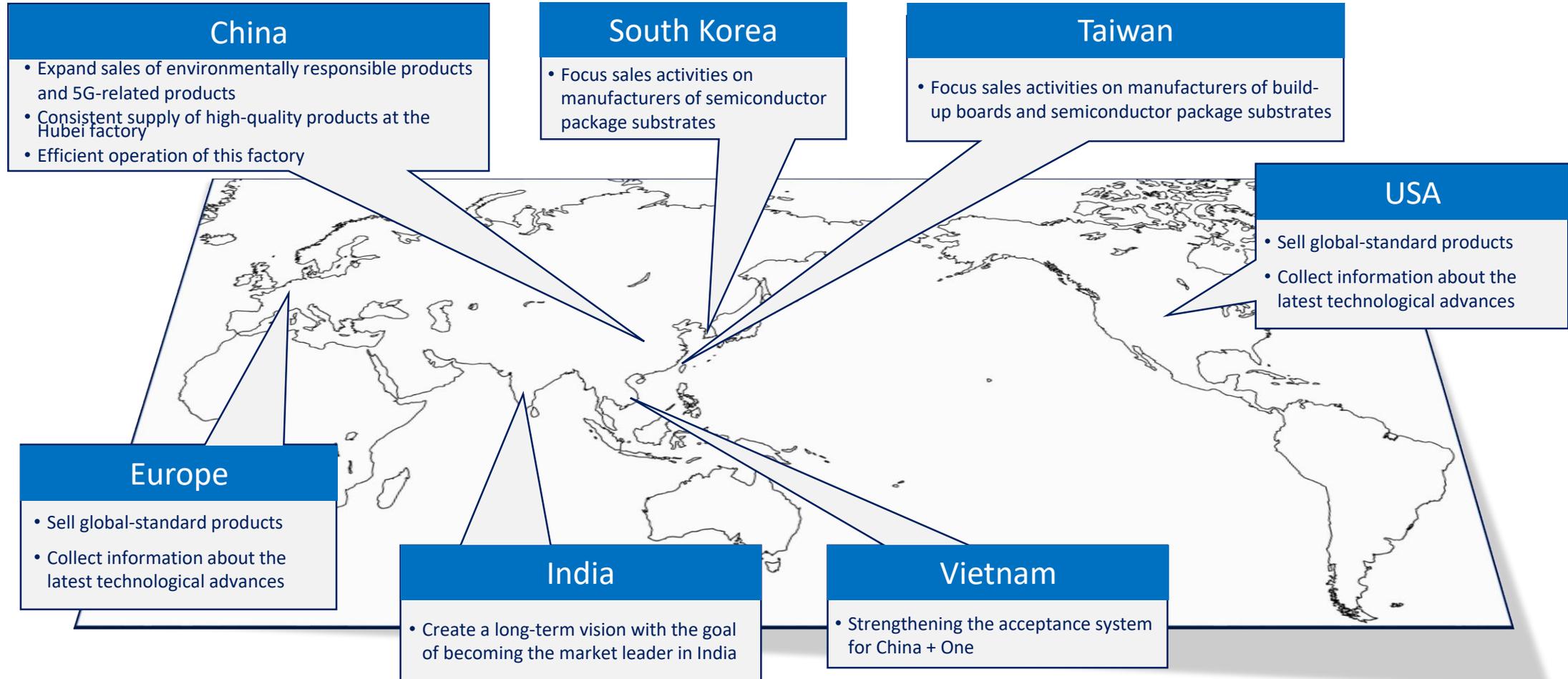
	FY3/22	FY3/23	FY3/24
Net sales	23,500	25,500	26,500
Operating profit	7,500	8,000	8,500
Ordinary profit	7,550	8,000	8,500
Profit attributable to owners of parent	5,300	5,600	6,000

3. Key Strategies (1)

Reinforce Core Businesses	
Development	<ul style="list-style-type: none">• Develop products that reflect environmental, cost and health considerations• Develop products that are superior to the products of competitors
Chemicals sales	<ul style="list-style-type: none">• Establish a global sales strategy for unified and efficient sales activities
Machine sales	<ul style="list-style-type: none">• Become more competitive by developing products that fully utilize the properties of chemicals
Production	<ul style="list-style-type: none">• Assemble a global manufacturing infrastructure• Consistently supply high-quality products that meet customers' requirements
Marketing	<ul style="list-style-type: none">• Strengthen sales capabilities by efficiently collecting information

3. Key Strategies (2)

Strategies for Key Countries and Regions



3. Key Strategies (3)

Creating a Management Foundation with Emphasis on ESG

Environment

Develop and sell environmentally responsible products
Achieve the CO₂ emission reduction target

Society

Human resources development

Governance

Strengthen monitoring of management and business operations
Strengthen governance of the JCU Group

3. Key Strategies (4)

Human Resources Development

Human resource required for JCU

Ability to create new ideas

Ability to provide good customer support

Global business people

Ability to use a management perspective

Themes

- Upgrade specialized skills needed to develop products
- Education to improve technology and sales skills of personnel in other countries
- New system for giving Japanese employees experience at overseas JCU Group companies
- Career path suitable for global system
- Strategic deployment of human resource
- Upgrade management training for current managers and people who may become managers

3. Key Strategies (5)

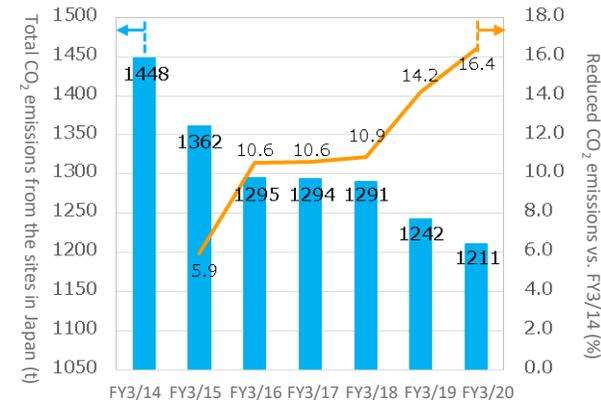
CO₂ Emission Reduction Initiatives



Goal is a 20% reduction of CO₂ emissions in Japan by FY3/24 based on the FY3/14 level

Actions

- Improve manufacturing efficiency
- Conserve energy by replacing/updating aging equipment
- Install LED lights
- More internal electricity generation by installing more solar panels
- Continue using carbon offsets



Mar. 2014–Mar. 2020 CO₂ emission reduction is 16.4%

Goal is Niigata Plant “Zero CO₂”
by FY3/31

3. Key Strategies (6)

Activities for Environmentally Responsible Products



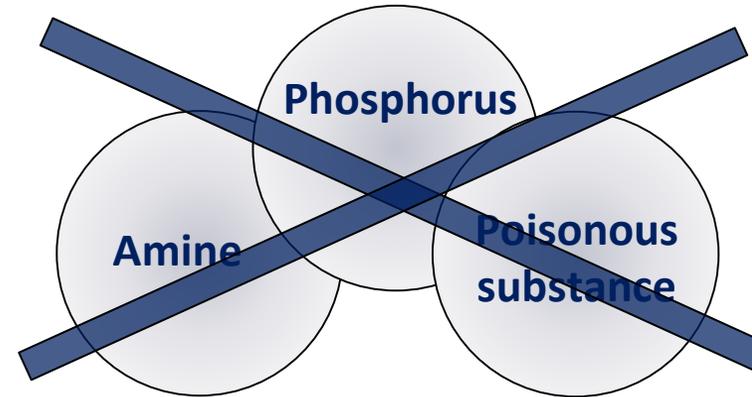
Automotive parts

Processes that do not use restricted substances (hexavalent chromium)



Samples of plated parts (door handle)

Electronic components

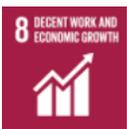


Developed chemicals without substances that have a significant environmental impact in order to make water treatment processes easier

JCU has developed and sold a large number of environmentally responsible products for many years. We remain dedicated to becoming a global organization capable of sustained growth that places priority on not developing or selling products with a significant environmental impact.

3. Key Strategies (7)

SDGs Initiatives

 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> • Support for the Sorapuchi Kids Camp 	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none"> • Registered as a City of Kawasaki disaster readiness business site
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> • Activities for workforce diversity 	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> • Environmentally responsible products • Products that are easy to use
 <p>6 CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none"> • Reduction in water usage • Products that reduce the need to treat chemical effluents 	 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> • Activities to reduce CO₂ emissions • Activities involving carbon offsets
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> • Use of renewable energy sources (Installation of solar power generation equipment) 	 <p>14 LIFE BELOW WATER</p>	<ul style="list-style-type: none"> • Environmentally responsible products • Lower need for effluent and waste material treatment/disposal
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> • Workplaces that are pleasant and productive 	 <p>15 LIFE ON LAND</p>	<ul style="list-style-type: none"> • Activities involving carbon offsets • Lower need for effluent and waste material treatment/disposal
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> • Environmentally responsible products • Products that contribute to technological progress 	 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<ul style="list-style-type: none"> • Cooperation and joint development programs with other companies in the same business sectors
 <p>10 REDUCED INEQUALITIES</p>	<ul style="list-style-type: none"> • Activities for workforce diversity 		<ul style="list-style-type: none"> • Activities involving carbon offsets • Support for the Sorapuchi Kids Camp

4. Equity Policy

KPI for measures involving equity

Total return ratio

EPS

Market capitalization

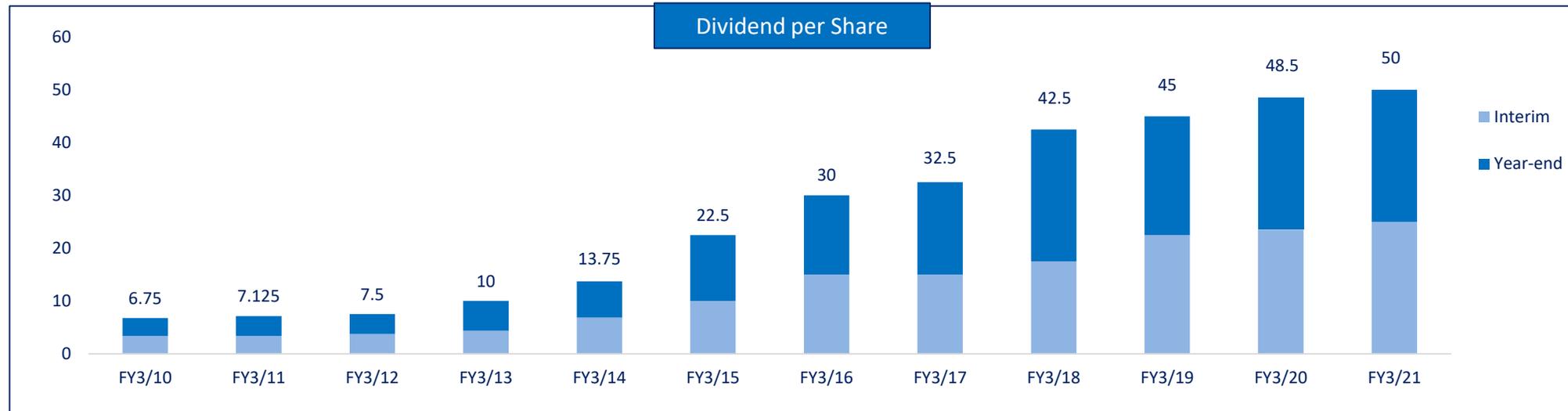
- Maintain financial soundness for long-term shareholder value growth
- Use equity as the base for funding capital expenditures and M&A
- Maintain and increase financial soundness and the efficient use of capital
- Increase the dividend and repurchase stock at suitable times

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Total return ratio	28.7%	26.1%	22.0%	19.8%	24.8%	29.7%	24.1%	44.1%	75.9%	
Consolidated dividend payout ratio	28.7%	26.1%	22.0%	19.8%	24.8%	22.0%	24.1%	25.2%	29.6%	29.6%
Stock repurchased (Millions of yen)	-	-	-	-	-	320	-	948	2,051	999
EPS ※ (Yen)	52.25	76.61	62.51	113.57	120.88	147.55	176.31	178.55	163.97	

※: Earnings per share (EPS) are adjusted for the following stock splits to facilitate direct year-to-year comparisons.
 Oct. 1, 2014: 2-for-1 stock split Apr. 1, 2017: 2-for-1 stock split Apr. 1, 2018: 2-for-1 stock split

4. Equity Policy

(Yen)



Please use the following contact information to submit questions and other requests for information.

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